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and BUSINESS ANALYST

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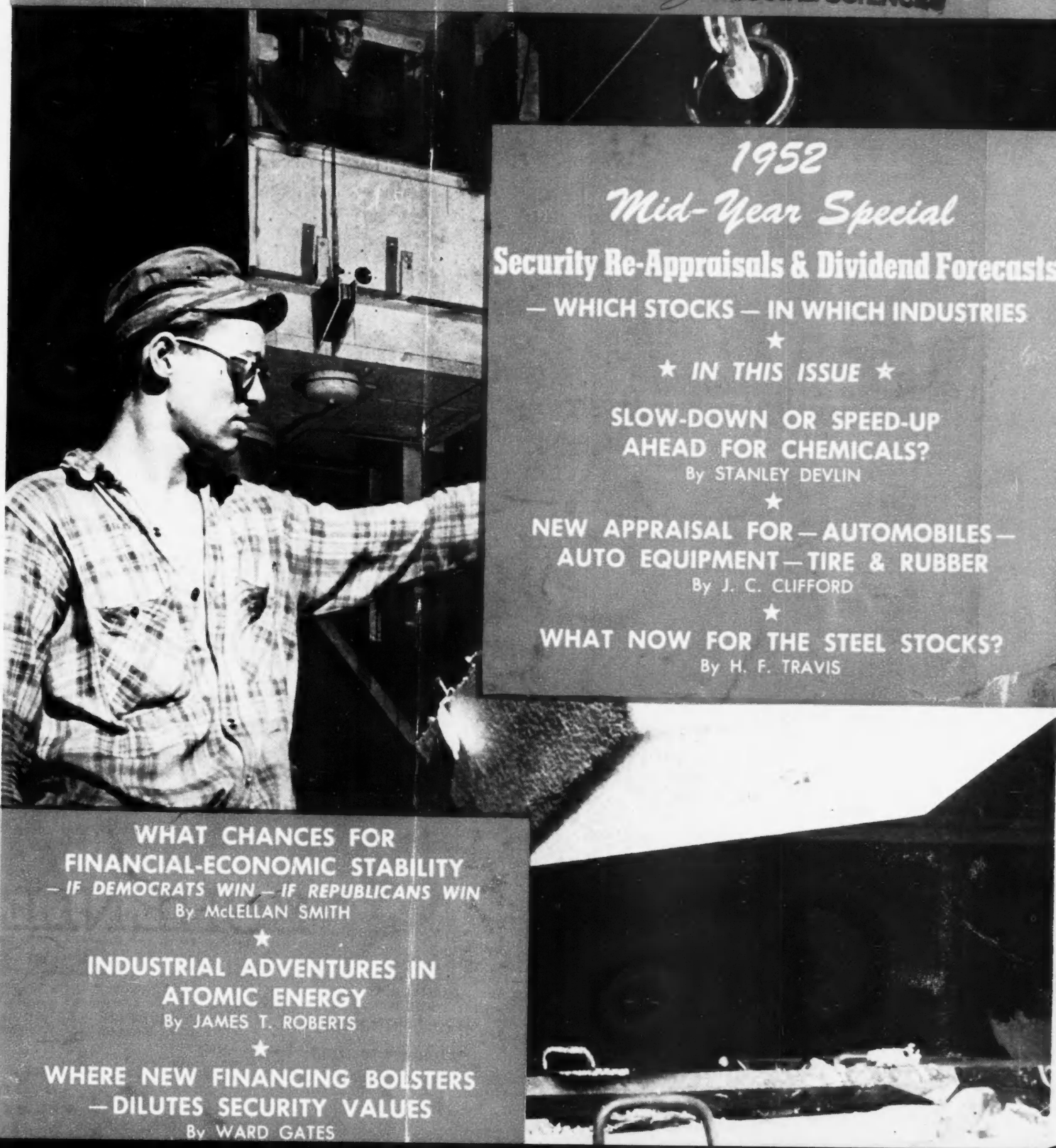

1952 Mid-Year Special

Security Re-Appraisals & Dividend Forecasts

— WHICH STOCKS — IN WHICH INDUSTRIES

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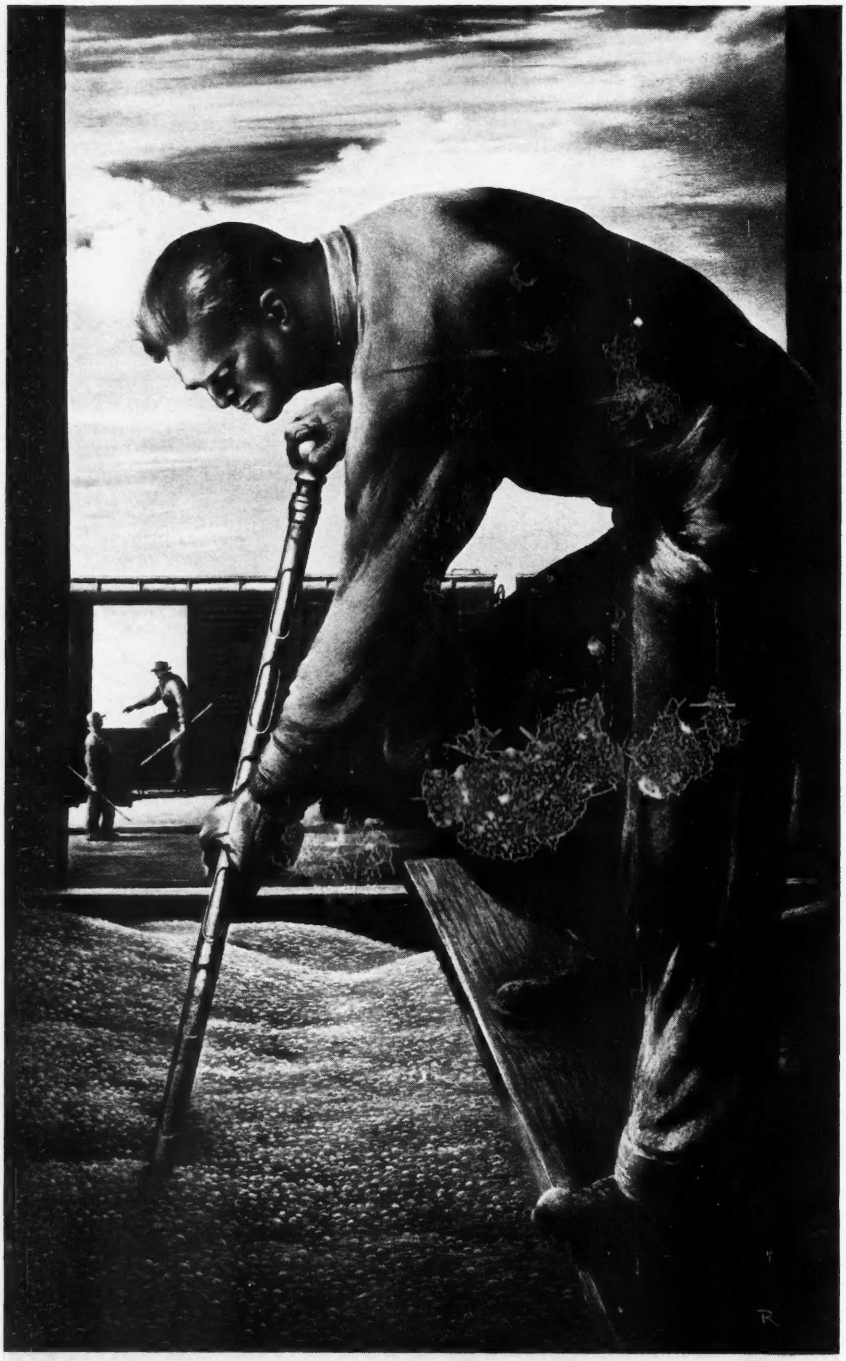

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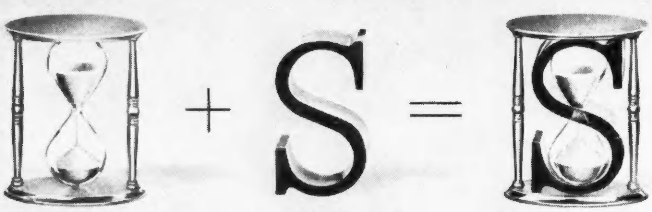
This is Schenley's way of making certain that you get the utmost enjoyment in every drop of every drink. *Schenley Distillers, Inc., New York, N. Y.* ©1952



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THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

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BELL TELEPHONE SYSTEM

THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*

The Trend of Events

LOWER PROFIT MARGIN AND HIGHER WAGES . . . One of the most curious aspects of the recent steel wage settlement is that somehow labor (and the government) has managed to convince the people at large that corporate profits are large enough to support higher wages. Yet, as every student of affairs knows, corporate profits have been falling for over a year. In 1951, they were $18.6 billion, off 12% from 1950, and in 1952 they will drop approximately the same amount.

We are thus faced with the anomaly that wages are rising in the face of falling corporate profits. It is probably true that the current extremely high wage levels can be supported for the time being in view of the active business conditions caused by the continued massive re-armament drive and record capital expenditures. There are many signs to indicate, however, that time is running out for those labor leaders who are still seeking further wage increases. The most important of these is the expected leveling-out of both armament output and capital expansion by the middle of next year. This will bring about a considerable change in the corporate profit outlook, even if military spending and capital outlays are reduced only moderately.

Any reduction in the dimensions of the two props of armaments and plant expansion is bound to limit corporate profits, especially as costs, principally wages, will remain rigidly high. Furthermore, since there is no indication that corporate taxes can be reduced in the next year, profits will be still further affected. Such a prospect is likely to cause managements to revise expansion projects downward, as the resultant profit margin would not be large enough to produce the desired incentive. Obviously, this has definite implications for labor.

The public is not aware that the apparently huge figures on corporate profits, running into many billions annually, is apt to be misleading. Taken in relation to national income, profits in reality are quite low. In 1951, they were only 6.7% of national income whereas they were 8.8% in 1950. In 1952, they will probably amount to less than 6% of national income. In the 1920's they frequently averaged 8% and 9% of national income. In view of these comparisons, it is obvious that profit margins have now declined to a point where the question may be asked whether the general economy is not verging towards a state of imbalance. The upward trend of wages in a period of falling profits, therefore, is of the highest economic importance.

It is understandable that union officials should seek a higher standard of living for the workers but they must face the fact that they can secure such conditions only within the framework of a strong economy. If this vital principle is violated, the penalty must be paid. The penalty in this case would eventually be a weakened economic structure with its threat to labor itself. Labor therefore must not be blinded by the temporary gains flowing from higher wages. It must realize

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable supplement to Mr. A. T. Miller's stock market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

that present wage increases are being obtained against a potentially unfavorable economic trend from which it cannot expect to remain immune. Should the tendency toward lower corporate profits persist for any length of time, it would inevitably mean rising unemployment and, finally, lower wages.

The trouble is not that wages have been increased but that they have been increased too rapidly. This has brought about a condition of instability for which a remedy must be found promptly. In the meantime, we suggest that the union leaders take a realistic look at the economy, stop fooling themselves and the nation and play a more responsible part in the affairs of the country than they have been doing these past years.

THE NEW FIVE-YEAR SOVIET PLAN . . . The rash of important news from Moscow, including the conference between the leaders of Red Russia and Red China, the re-shuffling of the Kremlin hierarchy, and Stalin's reply to the three Western powers on the German problem, has obscured an equally important news item—the new five-year production plan for Soviet Russia. In the long run, this may be even more portentous to the free world than the other events mentioned.

This plan, to be completed in 1955, envisages the raising of Soviet production to truly formidable levels. Accordingly, they intend to raise steel production to 43 million tons from the current figures of 31 million; coal will jump from 285 million tons to 378 million, and electricity from 103 billion kilowatt hours to 162 billion. These figures, of course, are dwarfed by present figures for the United States of 105 million tons of steel, 523 million tons of coal and 403 billion kilowatt hours for electric power.

Despite the still great disparity between Soviet and United States production, there is no need to minimize the potentialities of the Russian program. The importance of the projected production increase lies not so much in the actual amounts involved but in the use to which they are being put, for the uncomfortable fact remains that Russian production is much more closely geared to military requirements than is ours. Actual figures detailing the ratio between Soviet industrial production and military expenditures are not available, according to Kremlin custom, but surely the percentage is far greater than in the United States.

The only inference that can be drawn, despite Soviet protestations that they are planning for "peace," is that the speed-up in production is intended to bolster already very large military potentialities. Whether this means that Stalin thinks war is inevitable is impossible to say but it is a fair guess that he intends the announcement of the new five-year plan as a warning that the Soviets with their strengthened economy would be a tough nut to crack in any future war. This is an unpalatable fact but we must face it. The best way of facing it is to make our defenses stronger than ever and to keep our economy on a sound basis. How this formidable problem is to be solved simultaneously is a task for the entire American people. That is the real job that is ahead for all of us.

CAPITAL GAINS OR INCOME . . . The Brookings Institute report on Share Ownership in the United States states the significant fact that more investors are interested in the possibility of appreciation than in income. The reason for this preference given by investors is that they are motivated by the desire and need for capital-gains appreciation. Under capital gains, the investor is subject to a smaller tax penalty—now only 26%—than he incurs from straight income. By the same token, it is clear that investors are no longer much interested in day-to-day trading as short-term gains are subject to full tax liabilities. This is undoubtedly one of the chief reasons for the smaller volume of transactions on the Exchanges in recent years. Close students of market conditions have been aware for some time of the impact of income taxes on the volume of share transactions. Hence, they need not have been surprised by the Brookings report.

An equally important result of high income taxes has been the concentration of investors interested in capital-gains appreciation on the better grade stocks. Selection of such issues would naturally be logical as offering the soundest opportunities for long-range appreciation. It would also seem to account for the long-continued neglect of the lesser stocks, especially those of the marginal companies, as these normally provide a less attractive opportunity for sound investment.

Another consequence of the growing partiality of investors for capital-gains appreciation in good stocks is that such issues are now held for much longer periods than formerly. This has a tendency to reduce the supply of sound issues and, therefore, accounts in an important way for the fact that they have not been subject to much pressure in the frequent general market reactions of recent years.

BILLIONS LOST IN POOR PLANNING . . . The blistering report of the House Committee on Expenditures in the Executive departments which exposed the waste and duplication in military procurement is about to result in needed action. Accordingly, Defense Secretary Lovett will soon order a new, streamlined system for the military services that may save our long-suffering nation several billions a year.

Apparently, the three services have pursued a more or less independent and extremly costly course in their procurement policies despite that the Defense Department had already set up uniform standards for obtaining a high degree of co-ordination in purchasing activities. Most of the trouble has centered in off-shore purchases, creating utmost confusion in the foreign aid system. This does not mean that there has not been plenty of inefficiency at home. In any case, losses due to waste and duplication have been staggering.

Any business organization that conducted its financial affairs on such a basis would soon have found itself in bankruptcy. It would seem, however, that our supply officers think that the economic laws which apply to private business do not apply to the government. The Congressional sub-committee has shown how wrong they are.

It is to be hoped, therefore, that Secretary Lovett will not content himself with pointing out to the military a better way of handling their procurement problems, but that he will see to it that the new line is rigorously followed by those entrusted with this great responsibility.

As I See It!

By JOHN CORDELLI

BEWARE OF RELAXING NATO PROGRAM!

The North Atlantic Treaty Organization (NATO) is now nearly two years old. Much of the first year was spent in recriminatory debates on the surrender of sovereignty, the role of Germany, and the contributions of individual countries. A year ago American goading and the shock over the snail-like progress of building collective defenses jolted the members into action in Ottawa and they set 50 combat-ready divisions and some 4,000 tactical aircraft as a goal for 1952. Behind this defensive screen that was to hold the first flush of a Soviet attack, another 50 divisions were to be made ready during 1953 and 1954. At the meeting in Lisbon last February, the Ottawa decisions were amplified. To streamline the functioning of NATO, a council of permanent representatives was set up in Paris to coordinate viewpoints and policies of the member nations.

Unfortunately, it is already obvious that the plans made in Ottawa and Lisbon—admittedly ambitious—will not be kept and are being quietly revised. While there will be a screen erected by the end of this year to deter communist expansion, it will not be so thick or so strong as originally intended. The two key countries, France and Great Britain, state that their defense programs have to be cut because of economic and political pressure at home. In excusing their action they also point to Mr. Truman's promise of "terrifying weapons" in the way of super-atomic bombs and flying missiles. If there is not going to be a hot war, Mr. Churchill argues, there is not much sense in overloading with aircraft and tanks of present design that will become obsolete in a few years.

On the strength of these arguments the British have already stretched out their $4 billion armament program from three to four years and may extend it further. Both the Tories and the Laborites agree that the defense program should be "reviewed periodically in the light of realities of the day." A part of the 1952 rearmament program—particularly what was to have been military aircraft and tanks—is already in the way of being exports—and dollar exports at that.

"BUT, SAM, YOU MADE THE PANTS TOO LONG!"

Warren in the Cincinnati Enquirer

The French tell us that they cannot fulfill their pledge unless they finance the manufacture of weapons on a three-year instead of a one-year basis. They presented us with a shopping list of materials which they could supply but, according to American expert opinion, many of the items are out-of-date or inferior. Their purchase would keep the French armament plants going and supply dollars to keep down the gap in France's international payments, but otherwise would be quite wasteful. The French feel that their prestige has suffered and their armament activities will fall behind those of the Germans. They intend to appeal to the Atlantic Council for new methods of planning and financing.

Belgium has been confronted with a strong internal opposition to the extension of the conscription period to two years. Mr. Shinwell, not to be outdone, is also asking for a shorter military service. In Italy, communist influence in Labor unions makes the placing of military orders in Italian factories somewhat risky. This limits the usefulness of Italy which has the largest unemployed labor reserve in Europe. In Spain, Franco and his Falange have their own ideas as to how American aid is to be used. Thus the re-equipment of the Spanish army and the rehabilitation of Spanish ports and railways hangs fire. Ironically, the most encouraging news comes from communist (*Please turn to page* 665)

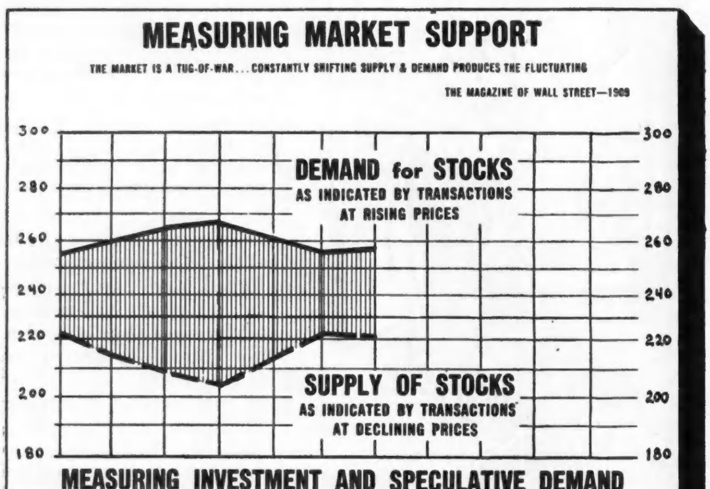
The Market Between Now and Election

Stocks soldifying position preparatory to attempt at resumption of advance in responding to current recovery in business from summer letdown. Political influences also destined to become more prominent in motivating fluctuations as presidential campaign gains momentum.

By A. T. MILLER

Much of the time in the last fortnight has been devoted by the market to solidifying its technical position. Prices have receded gradually in listless dealings since the extreme high of the month was reached August 11 until a semblance of support developed last week. As in the case of the rise, transactions were extremely light on the reaction and there was little evidence of a strong desire to dispose of good quality issues. The behavior, which followed orthodox patterns of the past, suggested that the market was strengthening its internal position preparatory to an attempt at resumption of the advance. Custom has decreed that seasonal improvement in business and bountiful harvests warrant hope of autumn rallies.

In its painfully slow readjustment the Dow industrial average retreated from the early August top at 281.47 to last week's low of 272.28, a decline of slightly more than nine points, or approximately one-third of the 26.77 points gained in just over three months from the spring low on May 1. The retracement of such a relatively small proportion of the ground gained is comforting to the bulls, who subscribe to the theory that this action is indicative of a limited amount of pressure on the list. Normally, a cancellation of from one-third to two-thirds of the advance previously recorded is a reasonable expectation. On the average most corrections erase almost half of earlier gains.



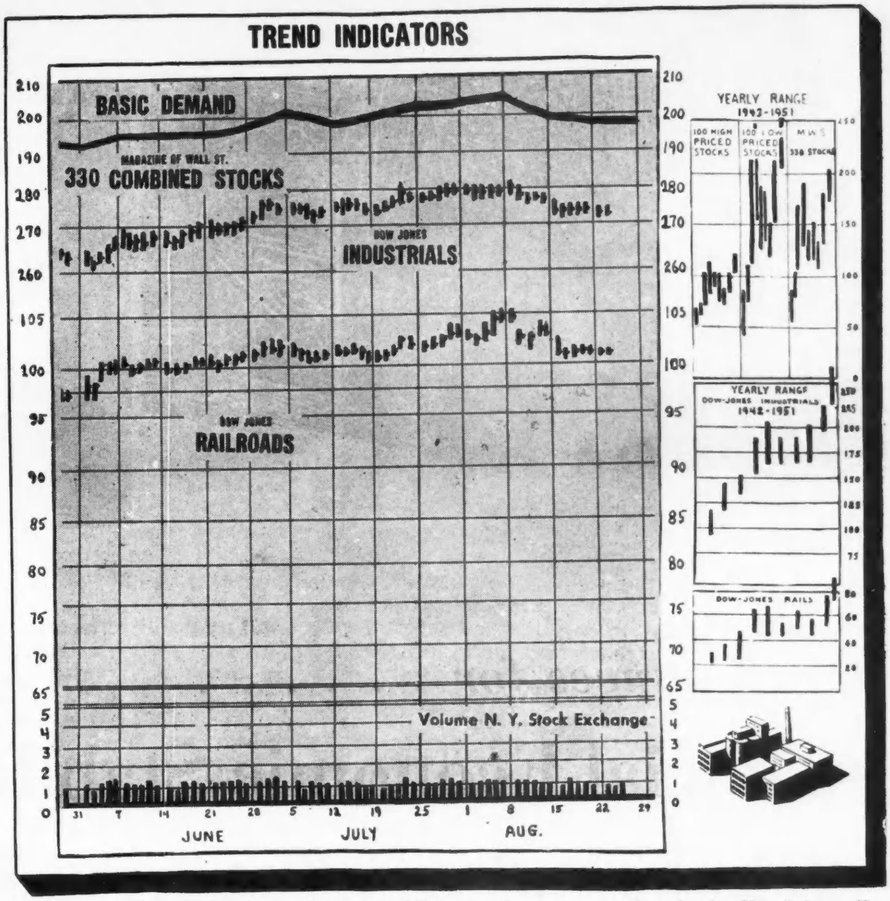
Light Transactions a Feature

Actually, however, it is questionable whether a great deal of significance should be read into behavior that is characterized by such exceptionally light dealings. One must admit that after all this is an "investment market" and price trends are dominated almost exclusively by the decisions of investment managers engaged in handling large accumulations of funds for institutional investors, such as mutual pension funds and closed-end investment trusts. Even savings banks and insurance companies have been picking up small amounts of preferreds and commons.

What is likely to happen to shake the market out of its lethargy? That is the question traders especially are asking. No one else seems to care, so long as prices do not tumble. Perhaps hopes or fears of the outcome of the November 4 balloting may give impetus to price movements. Or developments in the international sphere, inspired by approach of a climax in our quadrennial hassle over choice of a White House resident, may start the ball rolling. In any event, political overtones are destined to become increasingly audible in the next few weeks. How is the campaign likely to affect the stock market?

Unless one is convinced that share prices on the average are too high and that the market is vulnerable, it is

difficult to find in the political situation rational reasons for anticipating a decline of serious proportions. In the first place, no one seems to feel that either major candidate for the presidency stands for policies which would threaten the profit incentive system. The mass of investors who make the market apparently are ready to assume that General Eisenhower would uphold philosophies for which the Republican Party stands. At the same time, they seem willing to believe that Governor Stevenson would advocate principles much more conservative than those enunciated by President Truman or especially by President Roosevelt. In other words, regardless of objectives outlined in the Democratic platform, Governor Stevenson is expected to come out for measures that would be regarded as well as to the "right" of the New Deal or the Fair Deal.



In the second place, it seems unreasonable to look for either candidate to come forth with proposals that would shake the confidence of business. Experience has shown that the party in power enjoys a distinct advantage while standing for re-election in times of prosperity. The vast majority of workers seem reluctant to vote for a change in administration if industrial activity is at a high level and pay envelopes are being received regularly. Even if military expenditures were not continuing at an abnormally high rate, contributing to expansion of production and to new high records in national income, it would be safe to hazard the guess that ways and means could be found in Washington for stimulating inindustry at this season. Hence, employment and production as well as other indices of prosperity are likely to provide a cheerful environment for stock prices in the next few months.

Assuming that nothing ominous occurs at the forthcoming Soviet Congressional session, the first since 1939 on the eve of World War II, financial market may be engrossed in domestic affairs in the coming campaign. It seems improbable that events in Korea would have much effect either way on share prices prior to election. From the viewpoint of potential economic and political factors, therefore, nothing of a disturbing nature appears lurking in the background.

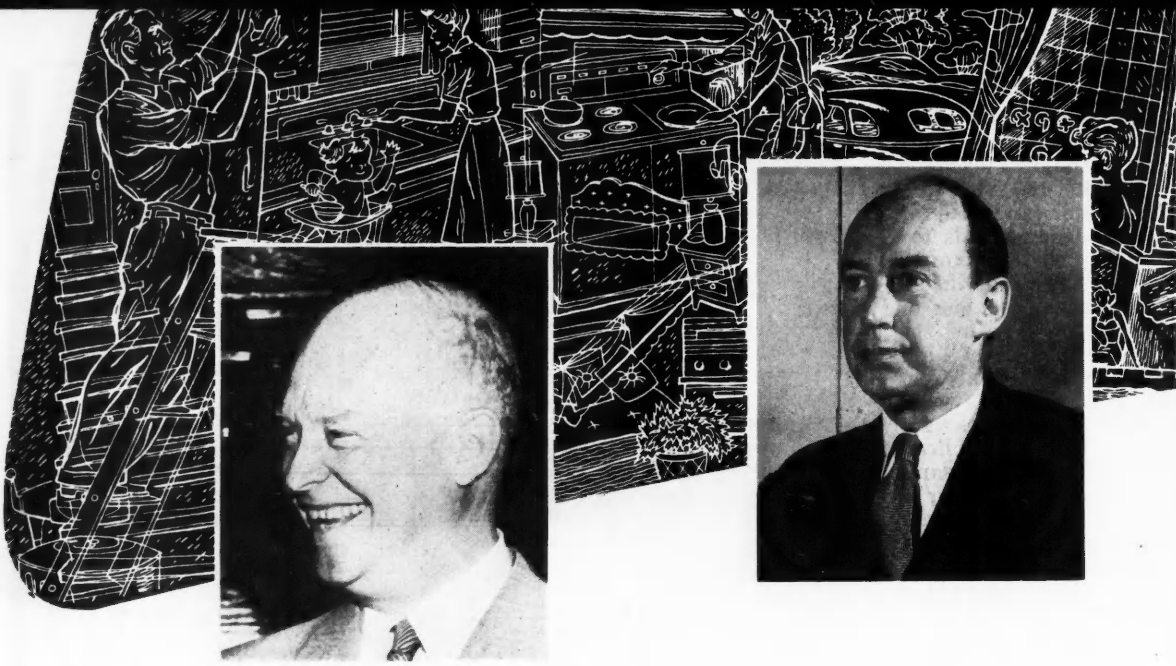
Lower Trend in Dividends

By the same token, it is difficult to discover reasons for such enthusiasm as would be required to send stocks kiting upward. One must bear in mind that equities no longer are intrinsically "cheap"—even allowing for the fact that stocks are appraised in dollars that have a purchasing power only about half that of 1939. Earnings have been falling and dividends generally are not so lush as a year or two ago. In brief, current prices are higher in terms of earnings than might be supposed. Moreover, yields have been declining not only in reflecting higher market quotations but also in recognition of dividentd reductions or omission of extra distributions.

Two Contrasting Forces at Work

Investors are beginning to view the recurrent wage increases in a sober light, too, and this may mean that the urge to buy stocks as a hedge against inflation has passed its peak. It is becoming evident, for example, that repeated wage boosts do not necessarily mean that inflationary forces are to continue indefinitely. The ultimate consumer seems to be giving industry fair warning that prices cannot be raised over and over again merely to satisfy enormous demands of labor leaders. Textile manufacturers learned, for example, that they faced the alternative of closing their mills of reducing prices. The outcome was that manufacturers yielded and accepted orders at prices that meant greatly reduced profits. Labor unions were compelled to take wage cuts if they wanted to provide employment for their members. Perhaps other industries may encounter similar problems.

Steel producers have shown some surprise apparently that consumers (*Please turn to page* 668)



What Chances for . . . . . .

Financial-Economic Stability

—If Democrats Win—If Republicans Win

By McLELLAN SMITH

For slightly more than two decades the United States has drifted from one crisis to another, none of them of our own choosing, and none of them satisfactorily resolved by the Administration in power or by the Congress; unless, of course, we call the military defeat of the Axis Powers in World War II a satisfactory end of that crisis. To those of us who watch the Federal budget, Congressional appropriations for the build-up of our military forces and the armed forces of the free nations, the victorious end of World War II merely marked the beginning of another crisis, one that threatens destruction of our national economy and subsequent military or ideological conquest by Red Russia.

Today we find ourselves in a dangerous economic position, burdened with a staggering national debt, confronted by the need for continued deficit spending and one inflationary spiral after another. These are financial diseases which sooner or later will destroy the very foundations of Government and bring about a collapse which will demand a rigid dictatorship or make us easy prey to those who would impose an alien dictatorship upon us. Harsh words, true, but the fact remains, our financial position is far more involved than is generally realized. therefore harsh words are better than any Pollyanna declaration that we are the richest nation on the face of the globe, self-reliant, full of fight and ready to lick any situation—fiscal or military.

Our next President will deliver his inaugural address with a cloud of debt and fiscal uncertainty befogging the national scene, and no matter how brave his words may be on this coming January 20, he will have to turn away from cheering throngs to face a Treasury so long immersed in red ink that he may hopelessly shrug his shoulders, order more red ink and hope for some kind of turn in the nation's fortunes to avert financial disaster.

Confronting the new Chief Executive will be a public debt of approximately $267 billion just $7.5 billion less than the statutory allowable $275 billion; Government income for the year will be something short of $67 billion, while Federal spending is expected to hit $80 billion to leave a deficit of around $13.5 billion. Add to these headaches, ever-growing demands for tax reductions and you have a general view of the fiscal problems the new President must tackle. These figures are for the fiscal year ending June 30, 1953, therefore they are headaches passed along by the Truman Administration, hence not of the new President's making, but he will have to find the headache powders he will need.

Coincidental with the pressing demands for tax reduction will be a shrinkage in tax revenues. Business is definitely off, and seems headed for further declines, hence less profits to tax; more unemployed without incomes for taxation. And the unemployed, through Federal commitments to State unemployment compensation funds, will add to the Federal deficit. But the biggest single item to contribute to the growing deficit will be defense. As manufac-

turers swing into greater production of munitions and materiel. the drain on the national pocketbook will swell. Another factor which will push defense costs higher is the recent price hike in steel, granted after the disastrous 54-day strike of the United Steelworkers (CIO).

How will the new President, aided by Congress, handle the situation? The writer, like the reader, can only hope for the best. However, there are steps which can be taken by the new Administration and the new Congress, regardless of Party affiliations, which could eventually bring about a balanced budget—barring all-out war or new "police actions" in remote corners of the World.

What Can Be Expected from Candidates?

Before outlining things which may be done to bring about a healthier Federal fiscal condition, we might have a "look see" at the two Presidential candidates which may enable us to estimate or appraise prospects for the establishment of a stronger economic and political foundation than now exists—a difficult task because at this moment neither candidate has detailed his views on spending, taxation, Government credit policies and the other factors which will determine our future economic position.

Governor Adlai Stevenson has said little or nothing, but his selection of the leftish Wilson Wyatt as his campaign manager would indicate the Illinoisan, if elected, would continue the New Deal-Fair Deal policies of "tax and tax, spend and spend, and elect and elect." Further, Stevenson's recent White House visit for a "briefing on foreign policies" may indicate that he is a "captive" candidate of the present Administration, as candidate Eisenhower has charged. If the GOP candidate's charge is true, then Stevenson's election might presage a continuation of the policies which have brought about our present financial position. There would be no effort to cut taxes, reduce expenses, halt the rainfall of Government checks in the form of grants-in-aid, Point IV hand-outs and other Federal payments which have given too many of our citizens, and much of the rest of the world, the idea that Uncle Sam is Santa Claus, thus obviating the necessity for labor and productivity. Further, if the Democratic candidate is the "captive" candidate of the present Administration, it is to be expected that he will pursue a labor policy which would favor organized labor's wage demands without proper regard for their effect upon the overall economy. All this has an inflationary potential.

With respect to Republican candidate Eisenhower, little is known of his views on labor-management relations, domestic spending policies, Point IV, agriculture parity payments or other Federal spending which have built our Federal debt to near-astronomical proportions. It can be assumed that Eisenhower will favor heavy expenditures for defense and foreign economic aid.

Both candidates are running on convention-written platforms which are largely glittering generalities, so it will take the heat of the campaign to bring out the individual views of the two contestants. Therefore, at this point we find ourselves somewhat in the dark as to what may be expected from either Stevenson or Eisenhower. As for the Congressional candidates, what they propose to offer in the way of legislation, what they will do to

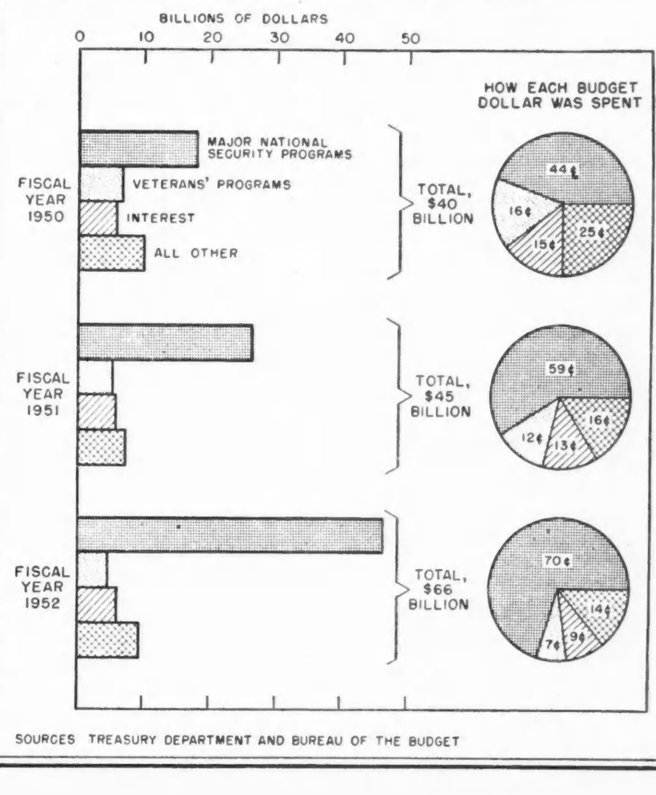
Impact of Taxation Upon Family of Four Persons
Selected Years From 1932 Through 1953

Year	Federal Revenues (billion)	Average Per Family
1932	$ 2,0	$ 64.25
1936	4,1	128.57
1940	5,3	166.00
1942	12,7	383.00
1943	22,2	669.00
1944	44,1	1,364.00
1945	46,4	1,407.00
1946	43,0	1,334.00
1947	43,3	1,208.00
1948	44,7	1,168.00
1949	38,3	1,031.00
1950	37,0	999.00
1951	48,1	1,250.00
1952	62,1	1,589.00
1953 (Estimated)	70,9	1,813.00

Direct taxes on individuals will produce 43%; taxes on corporations 39%; Excise taxes 14%, and customs and miscelaneous receipts 4%.

FEDERAL BUDGET EXPENDITURES

In the fiscal year 1952, total budget expenditures rose 21.5 billion dollars, with national security programs accounting for most of the increase. Out of each budget dollar spent in 1952, 70 cents went for the major national security programs



SOURCES TREASURY DEPARTMENT AND BUREAU OF THE BUDGET

curb reckless spending or what they have in mind to balance the budget, we are in a vacuum. Yet, in the show-down, we may have to look to Congress to act as a brake upon any extravagant or drifting fiscal ideas of the new President.

Credit Policies and Inflation

Not to be overlooked is what a new Administration and a new Congress may do in the field of Government credit especially policies of the Federal Reserve Board. If the latter, acting upon inflationary danger signals, tightens its credit regulations only to have them set aside by a Congress responding to pressure from an electorate bent upon heavy installment buying, the Federal Reserve Board will lose its power to curb new spirals of inflation. In this area, it would be wiser to leave credit policies to the discretion of the Board than to have those policies determined by politicians.

In the past 20 years, as stated at the outset, we have moved from one crisis to another. Now we find our national economy built around a crisis, its foundation resting upon a defense emergency with far too many believing that we can exist only because of defense expenditures. This is a fallacy, though it is true than an overnight cessation of defense requirements—Government spending for the munitions of war—would cause a recession of no mean proportions. But the defense emergency is going to be with us for some years to come.

The job ahead for the new Administration will be that of effecting domestic economies and overhauling the Defense Establishment. Both will be Herculean tasks. Domestic economies will demand the abandonment or curtailment of spending and hand-outs which large segments of the population today demand as their just due from a paternalistic Government. Overhauling the Defense Establishment and teaching it some of the economic facts of life will meet opposition from a swollen military bureaucracy which, in years gone by, has managed to get from an emergency-minded Congress about every dollar the "big brass" said was necessary to keep an enemy distant from our shores. Still a third field in which savings can be effected is foreign aid, both military and nonmilitary.

During 1951, last year for which complete figures are available, Federal grants-in-aid and payments to individuals within the states totaled $4.8 billion. In 1932, Federal programs then in effect totaled $269 million. Today, there are nearly 80 programs and activities under which Federal revenues are shared with or sent back to the States and local governments, or as direct payments to individuals, *exclusive* of payments to Federal civil employees, now numbering approximately 2,525,000 with a total annual payroll in excess of $10 billion. Thus any Administration or Congressional move to effect domestic economies is certain to meet rugged resistance with the resisters threatening dire political reprisals in November of 1954 (for Congress), and two years later for the occupant of the White House should he desire to succeed himself.

Economy Faces Formidable Bloc

Reference to the table reveals (as of December 31, 1951) nearly 17 million people were receiving checks from the Federal Government. Of this number, approximately 3 million were receiving regular remittances for something other than personal services rendered. Not all of this number were receiving gratitous hand-outs, but the majority were receiving payments about which there could be reasonable question as to their justification. All of this illustrates the formidable bloc which would fight economy on the domestic front.

Economies can be effected in the area of defense, despite President Truman's defy to Congress to whittle one dime from his defense budget. How much can be saved is a moot question, but a House Executive Expenditures subcommittee is readying a report which will reveal shocking waste by the Army, Navy and Air Force. Up to this point, contents of the report are very "hush-hush," but enough has been leaked to reveal that the three services have stockpiled around $60 billion of supplies, ranging from paper clips to aircraft parts. Annual storage rental for this huge inventory probably runs over $2 billion and, a reliable subcommittee source points out, as much as 60 per cent of the material now in storage will be obsolete before it can be hauled forth for use, or will be deteriorated beyond usefulness when taken out of storage.

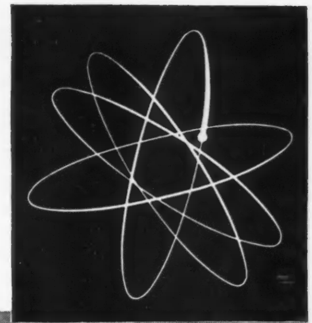
Cuts can be made in our military and economic aid to foreign nations, while there are ample indications that the Point IV Program of aid to backward nations needs more than careful scrutiny. The NATO nations already are welching on their rearmament promises; economic assistance has been returned with ingratitude—witness Iran which has demanded that Americans get out of that country, while Premier Mossadegh indicated he will soon ask of the United States a $50 million "loan" lest his country fall prey to the Communists and communism. Perhaps the futility of portions of the Point IV Program were best pointed up when the International Geographic Union criticized our expenditures for agricultural developments along the banks of the Amazon in Brazil when we could better spend money for agricultural improvements in our own Mississippi Valley.

Our crises from 1932 (*Please turn to page* 660)

Persons Receiving Federal Checks
(For Services Under Other Federal Programs)

Federal civilian employees as of December 31, 1951		2,871,800
Persons receiving aid under Social Security:		
Old age beneficiaries	2,231,411	
Wives' or husbands' benefits	634,319	
Child benefits	830,577	
Survivors' benefits	374,460	
Mothers' benefits	201,437	
Parents' benefits	18,847	4,290,791
Beneficiaries under Civil Service Retirement Act:		
Retired Federal Personnel	169,200	
Survivor beneficiaries	33,200	202,400
Beneficiaries under R.R. Retirement Act:		
Retired personnel	263,900	
Survivors' beneficiaries	150,600	414,500
Beneficiaries of Veterans' Administration:		
Non-educational	2,385,500	
Survivors	1,018,600	
Educational (1949-'50)	2,272,000	5,676,100
Health, welfare and educational programs for Indians		54,729
Agricultural benefits and subsidy programs:		
Payees under Soil Conservation	2,213,167	
Receiivng sugar subsidy payments	65,000	
Miscellaneous producers subsidies	600,000	3,478,167
Total		16,988,487

Industrial Adventures in . . .
ATOMIC ENERGY



By JAMES T. ROBERTS

Private industry already is making money out of atomic energy. But so far it has scratched only the surface and reaped only token rewards.

The big payoff will come from power—electrical power generated by the fantastic energy of splitting atoms.

On that, interested industrialists and the atomic experts are agreed. But when could private investment in atomic power be expected to start returning dividends? Assuming a way is found soon for putting private money to work on atomic energy, the best guesses range from five to ten years.

Atomic energy is big business right now, but it is government big business, a tight monopoly operated by the Atomic Energy Commission. In the past decade the AEC and its predecessor, the Army's wartime Manhattan Engineer District, has spent approximately $6.5 billion of the people's money on atomic energy.

Of necessity, the government has spent the bulk of these billions through private industry. But industry's role, so to speak, has been that of employe, and the profit incentive has been almost wholly missing. Of atomic energy's $3.5 billion capital investment, not a dime is dedicated to private profit.

The cost-plus-fixed-fee contract has been the prime instrument by means of which the government disbursed its atomic billions, and seldom has the fee been of a magnitude sufficient to lure the affections of industrialists away from private enterprise.

The perhaps extreme case of E. I. du Pont de Nemours & Co. may be cited. It is building the AEC's $1.2 billion Savannah River atomic plant for a "fixed fee" of $1. If immediate profit were du Pont's only incentive, it obviously would not be in the atomic energy business at all.

There may be comfort in having the government pick up all tabs, but neither du Pont nor other U. S. industrial firms—including those whose fixed fees run into millions a year—got where they are by loving comfort more than the rewards of risk.

Atomic Monopoly and Private Industry

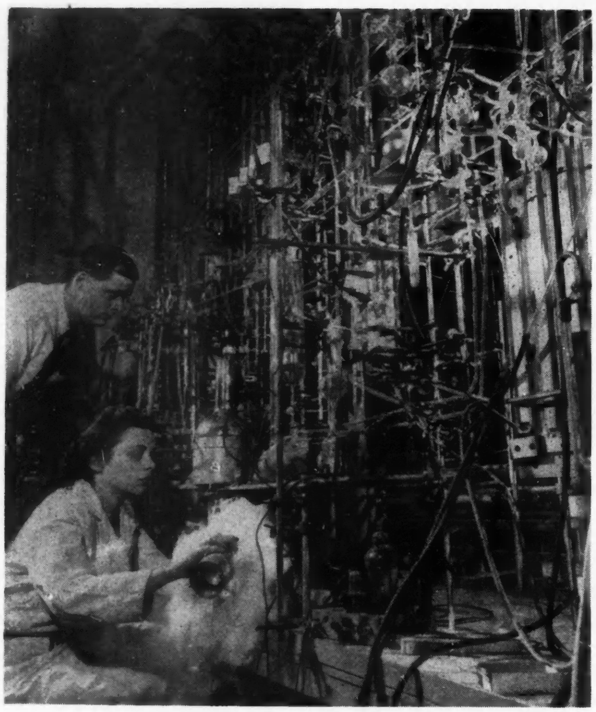
In only what might be called peripheral phases has the government permitted private industry to crack its atomic monopoly. For example, it allows private companies to manufacture and sell, for profit, radiation detection instruments. It also permits private concerns to manufacture and sell compounds containing radio-active elements obtained from the AEC. And it recently turned back to industry the production of zirconium and hafnium, metals required for atomic engines.

But take it from Dr. William Lee Davidson, head of the commission's new office of Industrial Development, these are not the applications of atomic energy from which private enterprise will reap its greatest rewards.

The "big thing," he says, is atomic power. Why? Consider the energy packed in the nucleus of an atom of Uranium-235. This is what officials say:

One pound of U-235 is equivalent in energy to 2,600,000 pounds of coal—or 360,000 gallons of gasoline. It could produce 435,000 kilowatts of heat from which could be generated 130,000 kilowatts of electrical power. All the electrical power consumed by the United States in a year could, in theory, be generated by 100 tons of U-235.

And according to AEC Chairman Gordon Dean there is ten times more energy in the world's ura-



Two Gulf Oil Co. scientists probe into the still mysterious reaction by which gasoline is made from coal, by the use of radioisotopes as a tracer.

nium deposits than in all of its coal and petroleum combined.

The price of uranium admittedly is high. The AEC won't say how much U-235 and other fissionable materials are worth in dollars per pound; it just says they are far more costly than gold.

But another glance at those figures on energy equivalents will make it clear that atomic fuels also are far more valuable than the most precious of other precious metals.

That being the case, why hasn't the United States already put the atom's energy to work manufacturing power for industry? The big reason is that, because of the specter of war, it has felt compelled to put the great bulk of its stockpiled atomic energy into weapons.

There are other reasons. There is nothing simple about atomic energy. Part of the atom's released energy is in the form of penetrating radiations which can destroy life and break down materials.

So the technologists had to develop thick and heavy and costly protective shielding for their atomic engines. They also had to find new structural materials—all rare and most of them exasperatingly difficult to handle—which are capable of standing up under atomic heat and radiation.

They are whipping these difficulties, but again the price has been high. Dr. Lawrence R. Hafstad, head of the AEC's reactor development division, puts the cost of a "major" reactor—a reactor is an engine or machine or furnace that operates on atomic fuel—at around $25 million. A "big" reactor would cost upwards of $50 million.

So as of now, the atomic experts just can't make atomic power cheap enough to compete with power generated by coal or oil or falling water. But they can make it. At Arco, Idaho, last winter they generated 100 kilowatts of electricity with a strictly experimental reactor designed for another purpose.

And some time in 1954 the Navy expects to launch a submarine, the keel of which was laid at Groton, Conn., last June, which will be powered entirely by atomic energy. So certain is the AEC that the atomic sub engine will work that it has contracted for another. It also is developing, through its contractors, nuclear power plants for aircraft carriers and planes.

These engines, ordered for military purposes without regard to cost, will provide invaluable information for building peacetime atomic power plants. At the same time it is working on military engines, the AEC is operating or developing a variety of experimental reactors from which it expects to get the final answers to problems standing in the way of successful and economic production of industrial power.

The Oak Ridge Installation

One of these is the homogeneous reactor which went into operation at Oak Ridge, Tenn., in April. Unlike the big reactors at Hanford, Wash., which produce plutonium, another atomic fuel, the new Oak Ridge machine is a continuous instead of a batch operator. It does not have to be shut down periodically for removal of atomic "ashes" or for other purposes.

Attached to it is a turbine which, as the reactor's power gradually rises toward its peak, will be used for experimental generation of electricity. AEC experts would not be surprised if this reactor turned out to be the prototype of the big atomic central power stations of the future.

The question arises: Must private industry wait to see how the atomic sub engines and the homogeneous and other reactors work out in practice before it starts investing in atomic power?

Individual Company Developments

Four industrial teams already have invested many thousands of dollars, in cooperation with the AEC, on studies to determine whether private production of atomic power is feasible. The studies are continuing, but the tentative answer in reports now under AEC study is yes.

One team, the Dow Chemical Co. of Midland, Mich., and the Detroit Edison Co. of Detroit, seems eager to put its own money into a working power reactor as soon as the technical and legal difficulties can be solved. Another, the Monsanto Chemical Co. and the Union Electric Co. of St. Louis, thinks the government should finance a pilot plant for further studies before private industry goes all out for atomic power.

These industrial groups, and the AEC, believe atomic power can profitably be tapped relatively soon, despite the fact that it is not yet ready to compete on an even footing with other power sources. The reason they think that way is, in a word, Russia.

As long as Russia continues to threaten the peace of the world, this country must continue to pile up reserves of atomic fuel in the form of weapons—atomic fuel and atomic explosives being identical. One atomic explosive, plutonium, is the product of nuclear reactors which also generate great amounts of heat. At Hanford this heat is thrown away.

But in the reactors Dow and Monsanto have in

mind, it would be harnessed for the manufacture of electrical energy. The plutonium produced would be bought by the government, which also would provide the uranium fuel for the reactors. The money paid by the government for plutonium would, in effect, subsidize the power production. This subsidy would offset the higher costs of atomic power, as compared to power from conventional fuels, and would make it economically feasible for private industry at long last to get its foot into the door of atomic energy. In the long run, industry believes, the greater efficiency of private enterprise would operate to give the government the stuff of bombs cheaper than the government itself can make it and at the same time would give industry the chance it wants to perfect atomic power production to the point where it can compete on its own.

The AEC is as eager as industry to turn as much as possible of its operations over to private enterprise. In a warlike world it is necessary, of course, to keep atomic violence under rigid government control. No one knows when if ever any other course will be possible.

But the industrial groups studying the plutonium-power production idea believe their plan could be put into effect with only minor changes in the Atomic Energy Act. Chairman Gordon Dean has said the AEC is "very hopeful" that the scheme can be worked out for the good of all concerned with industry owning and operating the reactors while the government licenses them to use the necessary fuel and buys the total output of plutonium.

Davidson, whose office of Industrial Development is up to its neck in these feasibility studies, has said that if industry could start building its plutonium-power plants now, they would begin to pay off three or four or five years hence. It seems likely, however, that it will be a year or two before the final decisions are made.

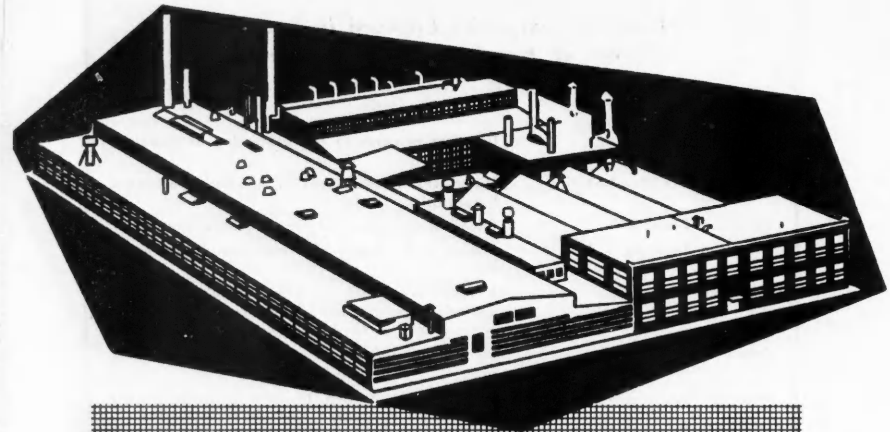
Monsanto, a cost-plus-fixed-fee veteran of the atomic project, believes that if the proposed pilot plant were built now, power-plutonium production would get under way in four or five years. It believes it might take ten years, however, to perfect economical reactors for production of power without dependence on the plutonium subsidy.

It is the "informed guess" of Dean and other authorities that atomic power will be serving industry to some practical extent in the next five to ten years. But Dean has said it probably will be about 25 years before atomic power plants begin to compete successfully in any general way with other kinds.

There are, however, grounds for believing atomic power could do vastly important and (*Please turn to page* 658)

Leading Companies Engaged in Various Phases of Atomic Energy Development

Company	Nature of Atomic Energy Work
Abbott Laboratories	Devoting research to the processing of radioisotopes.
Allis Chalmers Manufacturing	Manufacturing equipment for installation in atomic laboratories.
American Cyanamid	Chemical processing of uranium concentrates.
American Smelting & Ref.	Mining and refining of uranium and rare earth ores.
American Tel. & Tel.	A subsidiary, jointly with the Bell Telephone Laboratories, operates the Sandia atomic energy laboratory for the Atomic Energy Commission.
Anaconda Copper	Mining and refining of uranium and rare earth ores.
Atchison, Topeka & Santa Fe Ry. Co.	A subsidiary formed to develop uranium ore deposits on company's lands in New Mexico.
Bendix Aviation	Research in construction of qtomic-powered aircraft.
Boeing Airplane	Research in construction of atomic-powered aircraft.
Climax Molybdenum	Mining and refining of uranium and rare earth ores.
Commonwealth Edison	Research in application of nuclear energy to production of power.
Consolidated Vultee	Research in construction of atomic-powered aircraft.
Corning Glass Works	Manufacture of equipment for use in atomic energy installations.
Detroit Edison	Collaborating with Dow Chemical in study of using nuclear power for industrial purposes.
Dow Chemical	Jointly with Detroit Edison studying method of employing nuclear power for industrial purposes.
duPont deNemours	Design, built and will operate for the AEC plant to produce atomic materials.
Eastman Kodak	Research in developing materials for use in atomic development.
Foster Wheeler	Designing, engineering and constructing plants and equipment for atomic development work.
General Dynamics Corp.	New building submarine to be powered by atomic energy.
General Electric	Designing, engineering and equipping atomic installations; research into atomic uses.
International Minerals & Chem.	Mining and refining of uranium and rare earth ores.
Molybdenum Corp.	Mining and refining of uranium and rare earth ores.
National Lead	Chemical procesing of uranium concentrates.
Pacific Gas & Electric	Research in application of nuclear energy to industrial power uses.
Pittsburgh Plate Glass	Jointly with others has produced a special glass for use in atomic energy development.
Pullman, Inc.	Designing atomic energy plants and producing materials employed in such plants.
S. O. of California	Research work on a contract basis for the AEC, in addition to other atomic energy activity.
Stone & Webster	Designing, engineering and construction of atomic plants.
Sylvania Electric Products	Outgrowth of several years atomic research is sizable contract with AEC for pilot plant operation in atomic field.
Tennessee Corp.	Operating with AEC a pilot plant to perfect a process for recovering uranium from phosphoric acid.
Union Carbide & Carbon	Is operating atomic energy plants at Oak Ridge for the AEC; also contributing to the research and development of atomic energy.
United Aircraft	Research in development of atomic-powered aircraft.
Vanadium Corp.	Company is regarded as the foremost producer of uranium ore.
Westinghouse Electric	Now building atomic-powered submarine engine. Continuing research in atomic-power generation and other phases of atomic development.



Where.... New Financing *Bolsters-Dilutes* Security Values

By WARD GATES

Several records were broken in corporate financing in the first six months of the year. Volume was $4.1 billion, the largest in history for any similar period, and the number of individual issues-over 400-was far in excess of any reported hitherto. The first half of 1952 was also distinguished by the largest single piece of corporate financing, that of the Amer. Tel. & Tel. convertible 3½s. In addition, there were 11 bond issues and two common stock offerings of $50 million or more apiece. Naturally, the huge volume of bond and stock issues is of the greatest importance to investors since it is a prime factor in the earnings prospects and dividend position of the individual companies and, therefore, bears directly on the stockholder's equity.

Despite the increasingly tight money market, corporations of all sizes have been entering the new capital market on a broad front. This has been due to continued need for funds for plant expansion, and, equally, to the need for replenishing working capital. Pressure on the latter has been caused by (1) high inventories, (2) heavy federal tax payments and (3) maintenance of dividends while profit margins have shrunk.

Illustrating the need for funds is the continued increase in new capital issues. These were $2.9 billion in the last of 1951, rising to $3.8 billion in the first half of this year. Of the latter amount, approximately 70% was represented by long-term bonds and notes, the balance in preferred and common stocks.

In the first six months of 1951, long-term bond and note flotations were 80% of the total. The trend, therefore, seems to indicate increased reliance by the corporations on stock issues. This has been aided by a relatively firm stock market despite growing indications that the general profit margin was lowering. However, subscription terms have generally been favorable accounting for the good investor response. In any case, no difficulty as yet has been encountered in the flotation of new stock issues, as the yields obtainable have been satisfactory.

The need for increasing corporate liquid assets, whether through bonds or stocks, is indicated by the fact that corporations have not increased their refunding operations since the end of 1950. In that year, bonds refunded—either at maturity or in advance of maturity—amounted to $1.3 billion; in 1951, to $529 million, and in 1952 it may not equal this amount.

Tighter money conditions are responsible for a slightly higher coupon rate on high-grade new bonds, the great majority (please see tabulation) issued on a 3-3½% basis, against the former average rate for issues of similar grade of 2¾-3¼%. Practically all of these issues have had successful subscriptions, but it is to be noted that, with a few exceptions, they have made little progress in prices since the date of issue. Undoubtedly, this has been due to the prevalent harsher money market conditions, a situation reflected in the easing of long-term federal bonds.

Flotations of most of the new stock issues this year have been successful but from a price standpoint the record since the date of issue has not been too favorable. As the accompanying tabulation shows, most issues are selling under the original offering price. This is not an uncommon experience as it takes time to digest new offerings, especially when they are of large dimensions.

The situation is complicated this year by the declining rate of the profit margin among some of the companies issuing new stock. Since this in itself reduces the stated per share earnings, the result is

likely to become magnified in accordance with the rate of eqָuity dilution arising from new stock issues. This factor would be of lesser importance if the earnings trend were sufficiently upward to absorb the difference in per share earnings. Under present conditions, however, with the new stock issues sold during a period of declining earnings, the impact on per share earnings is proportionately greater.

The effect on earnings caused by stock dilution is not only important to subscribers to new stock but also to those who invest in the new issues after the subscription period. Both classes of investor must take pains to ascertain the rate of per share earnings dilution following the new issues. Obviously, the narrowing of the margin of per share earnings over dividends may become an important factor in the later price of the shares.

The above, however, are short-term rather than long-term considerations and should be appraised by investors on this basis. From the longer-term viewpoint, the receipt of substantial new funds by well-established corporations with good managements is a favorable factor inasmuch as it strengthens the financial position, and also permits the company to make needed improvements, thereby increasing efficiency of operations.

In the following, we discuss briefly some of the larger pieces of corporate financing from the viewpoint of their effect on the common stock.

Pacific Gas & Electric Co. This company offers a good example of how, despite increasing earnings, net per share is diluted through constant issues of new common stock. The increase in common stock capitalization since 1947 has been as follows: 10%-1947; 10%-1948; 10%-1949; 20%-1950; 14%-1951, and approximately 20% in 1952. Net income rose from $27.3 million in 1948 to $40.1 million for the 12-months ended last March. Despite this very large increase in net, earnings per share have not kept pace, ranging from $2.43 a share in 1948 to $2.31 a share for the 12 months ending the first quarter of 1952.

In the meantime, the number of common shares have increased from 8 million to the current 13,628,000 outstanding. Subscription rights, however, have proved worth-while, shares having been acquired by investors through "rights" at from $25 a share in 1947 to $30 a share this year. The stock is now selling at 35, so that subscribers who have taken these shares at the lower prices mentioned have had a fair paper appreciation in the meantime.

While numerous additions to common stock, in addition to other forms of financing, have had the effect of lowering the stated earnings on a per share basis, funds received through these new issues have provided the company with very large and modern facilities on which hopes of higher earnings in the future must rest. One of the great goals for Pacific Gas has been to secure rates in consonance with rising costs. This has been a great problem as the State of California has not been noted for its generosity in this regard. A rate hearing has been hel drecently but its outcome will probably not be known for a few months.

In addition to the common stock issue this year, Pacific Gas sold $55 million in 1st 3⅜ bonds and 163,986 shares of 5% preferred stock. Part of new facility financing has been accomplished through certificates of necessity through the D P A. While dilution of per share earnings has been continuous in the past few years, the dividends of $2 are being covered by a moderate margin. It is estimated that even without substantial rate increases, the company can increase earnings to between $2.75 and $3 a share, based on the steady expansion of population and industry in the regions in which it operates. The new bonds are selling at 103, about 1 point over the offering price (*Please turn to page* 654)

New Corporate Issues January-July 1952

Bonds

Company	Date Offered	Amount $ million	Coupon	Classification	Offering Price	Recent Price
Alum. Co. of Am.	1/30	125	3⅛	Deb.	100	101½
Alum. Co. of Can.	5/21	90	3⅞	Deb.	101½	103¼
Am. Gas & Elec.	6/60	20	3⅜	Deb.	100¾	101¾*
Am. Tel. & Tel.	6/16	498.6	3½	Conv. Deb.	100	115¾
Am. Tobacco	3/6	50	3¼	Deb.	99	100¼
Burroughs Add.	5/22	25	3⅜	Deb.	101.2	102½*
Chicago & W. I. RR	5/7	64.2	4⅜	1st Coll. Tr.	102.1	105½
Columbia Gas Syst.	4/17	60	3⅜	Deb. "C"	100.9	98¼
Commonwealth Edison	7/16	40	3¼	1st Mtg.	101.9	102⅛*
Cons. Edison N. Y.	3/26	50	3⅜	1st & Ref. "H"	102⅜	103
Crane Co.	5/13	20	3⅛	Deb.	100¾	100¾
Deere & Co.	7/23	50	3⅛	Deb.	99	99¼*
Dow Chem.	7/15	100	3	Conv. Deb.	101½	102½*
Firestone T. & R.	5/13	75	3¼	Deb.	99½	101⅛
Inland Steel	3/6	25	3.2	1st Mtg.	100	102¾
Inland Steel	3/6	24.4	3¼	Conv. Deb.	100	108
Minneapolis Honey.	4/9	20	3.1	Deb.	100	101*
National Steel	5/28	55	3⅛	1st Mtg.	99¾	99
N. J. Bell Tel.	5/7	20	3¼	Deb.	102.8	103*
Northern States Pwr.	6/12	21.5	3¼	1st Mtg.	101.15	101½*
Pacific Gas & El.	3/19	55	3⅜	1st X Ref. "U"	101.9	102⅞
Phila. Electric	1/9	35	3¼	1st X Ref.	100.9	103½
Pittsburgh Plate Gl.	4/3	40	3	Deb.	100	100⅞
Public Serv. Gas & El.	6/18	40	3⅜	Deb.	101	101*
Public Serv. of Ind.	6/26	25	3⅜	1st Mtg.	102⅜	103¾
Union Oil of Calif.	5/7	35	3⅛	Conv. Deb.	105⅜	106½
United Gas Corp.	1/31	50	3½	1st X Coll.	102.17	103½

*—Bid price.

Stocks

Company	Amount Shares	Date	Pfd. or Com.	Issuing Price	Recent Price
American Can	989,599	5/9	Com.	26½†	34⅛
American Gas & El.	170,000	6/20	Com.	60¼	59
American Tobacco	1,075,685	3/6	Com.	52†	56¾
Case Co. J. I.	377,058	3/12	Com.	24½†	25½
Food, Mchry. & Chemical	300,000	5/5	Com.	44¾	44¾
Interstate Power Co.	345,833	4/4	Com.	8.65†	10
Kaiser Alum. & Chem.	375,000	1/9	5% Conv. Pfd.	50	47⅝(a)
Koppers Co.	260,000	2/18	Com.	45	42½
Lion Oil	400,000	5/13	Com.	40⅛	39
Monsanto Chemical	400,000	7/5	Com.	98	92
Oliver Corp.	171,000	2/4	Com.	30†	15¾(b)
Pacific Gas & El.	2,271,300	6/10	Com.	30†	35⅝
Quaker Oats	410,121	3/15	Com.	26†	26¾
Safeway Stores	200,000	6/24	4½% Pfd.	100	101¼(a)
United Air Lines	223,865	3/19	4½% Pfd.	100†	97⅜

†—Price under right.
(a)—Bid price.
(b)—Adjusted for 100% stock dividend.

Happening in Washington

—A SOUND APPOINTMENT—

By E. K. T.

EXCELLENT choice has been made by the White House for the directorship of a study of American trade policies. Daniel W. Bell, Washington bank president who once served as assistant secretary of the Treasury, was picked by the Public Advisory Board for Mutual Security after consultation with President Truman who was author of the plan to study effects of recent legislation to limit foreign dollar earnings, curtail imports. The new laws work at cross-purpose to this country's foreign policy, the White House believes. Bell will be remembered as head of the Philippine economic mission whose inquiries brought needed reforms.

WASHINGTON SEES:

If somebody would define what "the middle way" is the voters would know exactly what the Presidential candidates stand for because each has been pictured by his lieutenants as on that nebulous route. By word and deed, Eisenhower and Stevenson appear to regard the middle way as the fence even though they must appreciate that sooner or later they'll have to forego that comfort and protection as the campaign warms and specifics are demanded.

Stevenson on the tidelands oil issue was as much all over the lot as Eisenhower was on the McCarthy indorsement question. The President, said the democratic nominee, was right in vetoing the tidelands oil bill, but the states were right in the demands the legislation indorsed. It was, it appears, only a matter of degree—the degree not specified by the Illinois governor.

How Eisenhower stands on McCarthy is no clearer. He deplores the methods the Wisconsin senator uses but would favor his election if McCarthy wins nomination, a position which raises a question as to what he meant when he promised a "crusade" in politics. The former general is not experienced in politics. When he placed the importance of a republican congress above his own declared morals, he forgets history: Woodrow Wilson made the same mistake during World War I. Eisenhower's friends hope he will not repeat this mistake.

SOMETHING new has been introduced into transportation policy by one of the largest groups of organized taxicab operators in the Capital. They have asked the local Public Utilities Commission to reduce their rates! The action came almost in the same hour as PUC announcement that the street car company would be allowed to increase its fares, and of course their was a direct relationship. The new trolley and bus charges would bring transportation in downtown Washington within three cents of taxi toll, if a 10-cent reduction is allowed. Cabs here run on a zone system, not metered. It probably is not without significance that most congressmen live in hotels within the first zone—street car vs. taxicab.

McCARTHYISM has become more of a campaign issue than the democrats hoped for or the republicans feared. Candidate Eisenhower has been "drawn" into an observation on the point which appears to have been well thought out and says just about whatever the pro or con disputants want it to say. It was inevitable that he would be forced to comment, so he has deplored some of the practices that give rise to the term McCarthyism, said he would support the Wisconsin senator if he is the republican nominee. The senator has never been noted for meticulous use of speech or explanation of purpose, will be satisfied.

REALISTIC VIEW taken by British Labor Unions toward wage increases and the reasoning behind it might make profitable reading for their American counterparts. The organization which would be comparable to a CIO-AFL combine supports the government, it announced, in conservative opposition to general pay boosts, cites the obvious fact that the result of such a move would be higher prices at home, increased costs of turning out commodities for essential export.

As We Go To Press

The nationwide survey of potential inflationary effects of the steel strike settlement order has produced the results that the author of the study felt right along would be the outcome: not much change in the economic situation. Commerce Secretary Charles Sawyer had his field offices take a look-see into the situation. He warned them not to make advance conclusions, then find supporting evidence. But as in other official studies, the probers consciously or otherwise came up with answers coinciding with the known opinion of their director.

Obviously taking a roundhouse swing at some of his fellow administrators, Sawyer blasted: "Statements predicting increase in inflationary pressures which are not based on facts render a great disservice to the American people. Fear is an important, even though intangible, element contributing to inflation."

Also puncturing the Ellis Arnall balloon was a statement by Agriculture Secretary Charles Brannan concerning the crop prospects. The total production of 1952 will, said the Secretary, be the third highest in history. The supply of farm products is such that there should be little upward pressure on farm prices. Arnall professes to see the steel settlement and the drought pushing prices not only through the ceiling but also through the roof. He's backed in that forecast by Stabilization Chief Putnam.

The battle has even extended to Capitol Hill, despite the fact that Congress is in recess. (Actually, there probably are more members of both houses in their offices today than there were during this year's session. Reason is that the primaries and the national conventions are over and the nominations are made.) Senator Maybank, banking-currency committee chairman, whose committee handles price control legislation, said no special session of Congress to consider the subject is warranted. The South Carolina democrat reminded that some increase in the price of farm machinery, and therefore of farm products, is inevitable and justifiable as a result of the steel agreement.

The battle of the rapidly growing oleo industry vs. the butter producers is becoming intensified. Statistics gathered by the Department of Commerce show clearly that oleomargarine consumption is forging ahead in almost direct proportion to the drop in butter sales. The dairy men call the oleo men "industrialists," a term evidently designed to pin on the label of big business, disassociate the product from the list of edibles. And the progress made under encouraging Federal and state laws is bringing on intra-industry strife. On complaint of competitors Lever Brothers has been cited by FTC for allegedly advertising falsely that its oleo has distinctions which, the opposers say, isn't so.

Public housing authorities are reported to be registering concern -- among themselves, for the subject is too touchy for public recording -- because industry is paying workers such high wages that there aren't enough families with incomes below $3,000 a year to fill the project units. Under the law, the housing authority must ask a family to move out of the low-rent, subsidized quarters when income passes that figure.

Despite the growing "problem," new units are being constructed and there appears to be no likelihood of a shut off order from Washington. Several alternatives are being considered. First, because it's easiest, is a change in the regulation affecting eligibility of families to remain after income surpasses the level of those for whom the housing was intended. Second, is municipal or cooperative purchase, in which event the Federal control goes off. Congressmen are being urged to adopt the first of these alternatives. And this being election year, friendly ears are turned toward the tenant suggestion.

Before leaving the subject, it may be interesting to record that the Public Housing Administration officials are going ahead with plans to put $150 million worth of bonds on the market almost immediately. Investors will be asking for detailed information on the results of referenda in numerous cities on the issue whether the inhabitants want new projects of this kind within their confines. The results haven't been encouraging to PHA. Los Angeles and Toledo are two of the larger cities which recently said "No!"

Compulsory dispersion of new industrial plant is moving nearer. Accelerated tax amortization is the forcing measure. National Production Authority has a new procedure that requires firms wanting rapid tax writeoffs for new plants to show that they are conforming with plans of local dispersion organiaztions. About 60 such local groups are now functioning, usually under chamber of commerce auspices. Dissatisfied with the previous voluntary compliance, NPA now wants to make it mandatory in most cases, realizes that a hard-and-fast rule would meet resistance, and is likely to set up a not-too-tough formula although it will center upon compulsion.

A new industry is settling up in the southland. Associated Cooperatives, Inc., Sheffield, Ala., has announced plans to control a $2 million plant near Wilson Dam to manufacture nitrophosphate.. Associated is pioneering in the new TVA process which does away with the need for scarce sulfuric acid. Scheduled annual production of the fertilizer is 60,000 tons, beginning in 1953. Most of the components will be purchased from TVA in the beginning; Associated plans eventually to create its own nitric acid plant. Defense Production Administration is much interested, feels the new plant will be a great aid in meeting national necessity goals.

The governors meeting in national convention at Houston, Texas (46 of the 48 were on hand) agreed with the program mayors have been urging for many years. They want: Federal government to withdraw from the field of gasoline tax as soon as consistent with national defense; creation of a commission on Federal-state relations; a strong civil defense program; vigilance in law enforcement; Federal payments in lieu of municipal taxes, on Federal property such as post offices, which are not on the tax lists now.

A developing source of manpower is the ranks of the physically handicapped. A "week" has been proclaimed by the President (Oct. 5-11) to concentrate attention on the availability of these workers -- the eighth annual drive. Already it's resulted in 2,400,000 disabled persons finding jobs. The U. S. Department of Labor is pleased with the results, reports employers say that, in certain types of work, the disabled are the best operatives -- conscientious, attentive, and productive.

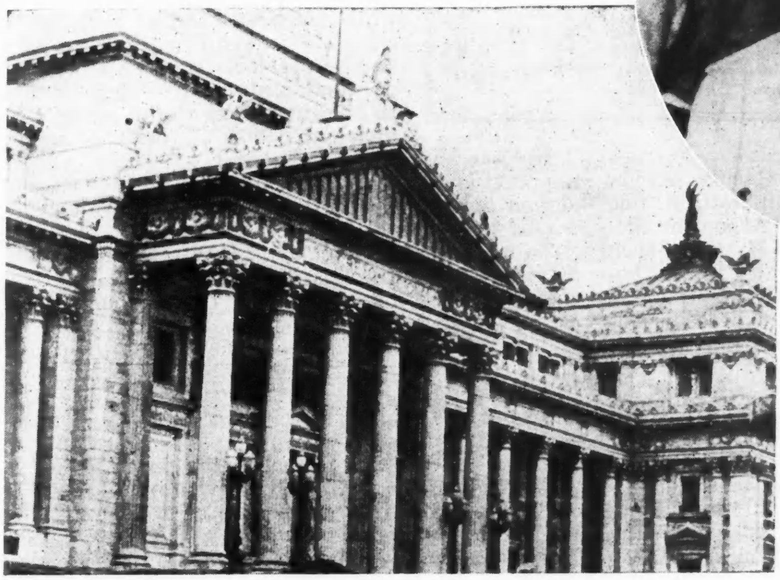
Non-operating railway labor organizations have been invited by the International Association of Machinists to put up a united front for sweeping improvements in working conditions for labor employees. The implications can readily be guessed. Topics which would be covered in what will begin with negotiations with the roads, become "demands" if the requests aren't met, include: severance pay, more paid holidays, overtime pay for Saturday and Sunday, generous night differential pay, longer vacations with pay, a guaranteed annual wage, a new system of apprenticeship, more liberal pass privileges.

One of the pet peeves of the rail workers is that Diesel locomotives are repaired by the manufacturers, otherwise serviced outside the regular railroad shops. They want that stopped and the subject will be embraced in the program of negotiation which seems now certain to be drafted.

Senator Guy Gillette has stated that nothing further will be done in the matter of the investigation into Senator McCarthy, launched some time ago by Senator Benton, until after the elections. There are some who say that, aside from Senator Gillette's well-known lack of enthusiasm for getting into the middle of hot political subjects, the real reason for the decision to "postpone a decision" is that the democratic machine running Senator Benton's campaign in Connecticut does not want to create any more enemies for Benton than they can help.

Argentina Policy Ex-Eva Peron

—*Can General Peron Strengthen His Insecure Position?*



The death of his wife—and powerful political associate and guide—places General Peron in a precarious position from which he may find it difficult to extricate himself.

BY V. L. HOROTH

> *"Eva Peron was like a well-wrought figurine of stainless steel-smooth, hard, cold and beautiful."*
> *John Lear—in his reports from Argentina*

The death on July 26 of Senora Eva Peron, the wife of the President and dictator, Juan Peron, took place during the critical period bridging the two presidential terms of her husband and against the backdrop of economic and political developments that are laiden with dangerous possibilities for Argentina. During the first term of President Peron which began in 1946 there was a revolutionary transfer of political power from conservative landowners to the radical industrial labor unions accompanied by far reaching changes of the economic structure of the country. But the ambitious attempt to build up Argentina into a powerful industrial state with all the expensive social welfare trimmings has brought the country to near bankruptcy. Hence the second term of President Peron—a term that is to last till 1958—opens with Argentina struggling with a desperate economic crisis. Inflation is rampant, prices rising dizzily, foreign exchange reserves spent, and the Argentine peso which was worth some 20 cents when General Peron took over, now worth scarcely 4 cents in the free market.

While General Peron may be a good military strategist, he is losing the battle on the economic front. The economic laws have defied him and the retreat is already being sounded. New decisions will have to be made in respect to pampered industrial labor. The General has now as good an opportunity as he ever will have to do something for the farmer who has been the chief earner of foreign exchange, and to extricate himself from the economic mess created by the mistakes during his first term.

But will the General grasp the opportunity? Will the powerful labor unions bow to his orders and support him, now that "Evita" or "La Senora"—as the worshipping factory workers called his wife—is gone? What effect will the Senora's death have on the behind-the-scene struggle between the Army and the Confederacion General de Travajo (General Labor Confederation)? As one publication asks it, will Evita prove more potent politically after death than she was in life?* Or will her passing away provide an opportunity for Argentina's economic comeback?

Eva as a Co-dictator

In his penetrating book, "The State of Latin

*The city of La Plata, capital of the Buenos Aires Province (300,000), was recently renamed Eva Peron, Argentine trade unions also proposed that Eva Peron be elevated to sainthood in the Roman Catholic Church.

Inflation in Argentina During General Peron's First Term, 1946-1952

Year	Money Supply Notes in Circul. (end of year)	Money Supply Total (end of year)	Cost of Living '45=100	Indust. Wages(f) '46=100	Real Indust. Wages(f) '46=100	Share Prices '45=100	Pesos for Depreciation Curb-Free Actual	Pesos for Depreciation Index
1945	2,581	6,771	100	......	......	100	4.07	100
1946	3,526	8,770	118	100	100	141	4.10	99
1947	4,719	10,657	133	......	115	212	4.80	85
1948	6,636	14,622	152	192	140	256	9.25	44
1949	8,939	18,490	198	262	132	226	15.80	26
1950	11,847	23,132	250	317	124	187	19.50	21
1951	15,371	....	341	392(c)	109	182	27.60	14
1952	14,252(a)	....	415[6]	......	......	146(d)	23.50(e)	17

(a) April 1952; ([6]) December 1951; estimated to have gone up to over 500; (c) June 1951; (d) June 1952; (e) May 1952; (f) skilled journeyman.

America", the Colombian-born educator who now teaches at Columbia University, Sr. German Arcienigas, likens the Argentine dictatorship to the double eagle on the Hapsburg coat-of-arms. Argentine dictatorship, he comments, was the firm of "Eva-Peron Incorporated", an "ego with two heads", Evita being apparently the left, sinister, one. La Senora was a full fledged co-dictator whose rise to second-in-command was due only partly to her being the dictator's wife; she was a born rabble-rouser and as such the most effective proselyter for "peronism".

Background of Peronism

Peronism began in the middle 'forties as a super-nationalistic "revolution to achieve national regeneration". A group of young army officers, with the then—Colonel Peron—fresh from Mussolini's Italy—as their spiritual head, dreamed of Argentina as a powerful industrial country, strong enough to attract all Latin America under its banner. The young Colonel saw himself as a modern San Martin, rescuing the country from the capitalist foreigner who ran the country's railways and public utilities and exploited the natives. "Neither Moscow or Wall Street" became the slogan of this group. Their idea was to sit out any international conflict. They were on the fence—hence the idea of "the third position".

The semi-feudal rule of the great landowners and cattle barons was ending anyhow, and young Peron's ideas had a popular appeal. But Peron did not entirely trust the military junta that put him in power. He began to cultivate the then-neglected urban proletariat. Before long the promises of social reforms began to bring in heavy dividends. The "Peronista" labor party was organized with such success that it swept out of the way all other labor organizations. Union bosses who were slow to climb up on the band wagon were simply kicked out.

Much of the labor organizing was the work of a young actress, Evita Duarte, tireless campaigner for "peronismo" and "justicialismo" while her health served her. "Justicialismo" is, simply, a program of a large-scale redistribution of wealth as visualized by President Peron. In due time Evita Peron became the undisputed boss of the labor union. Thanks to her, President Peron could count on labor support, and it was the support of the unions that served him during the abortive Army revolt about a year ago.

To maintain her popularity, Evita leaned heavily on the "Eva Peron Charity Foundation". This is a social welfare monopoly with the annual income estimated at as much as one quarter-billion dollars, which forces contributions from businessmen and workers alike. Being "managed by the heart rather than by ledgers" it is exempt from filing any balance sheets. It has been used for direct charity, bonuses to workers, doles for the unemployed, financing of parades, and political pressure. The term "Evita" is now synonymous with "public welfare".

The Government's pampering of workers finally reached the stage where workers, if wanting wage increases, simply applied to Senora Peron instead of to their employer. La Senora, of course, was powerful enough just to order the enterprise to increase wages. The situation was being bitterly complained about by the industrialists, domestic and foreign, whose cooperation the Peron Administration purportedly was seeking to build up the country into a powerful, self-sufficient state.

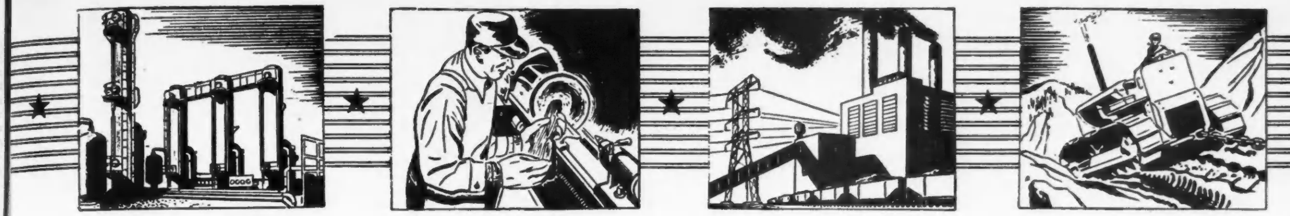
State of Industry and Business

Actually, the Peron Five Year Plan, introduced with much fanfare in 1947, was a flop. It fell short of the goal in most lines, most conspicuously in the chemical industry. No figures are available as to the investment in new plant capacity. The best estimate available puts it (*Please turn to page* 662)

Argentina During General Peron's First Term, 1946-1952

Year	Industrial Production Index	Imports of Coal & Petrol. (00,000t.)	Agri. Exports 000 tons	Acreage 6 crops 000,000ha	Foreign Trade Exports (millions of dollars)	Foreign Trade Imports (millions of dollars)	Budgetary Expendit. (in billions of pesos)	Gross Nat. Product Reported (in billions of pesos)	National Debt
1945	100	......	14,317	1	....	....	2.75	15.1	9.16
1946	112	4.35	8,199	15,894	....	....	3.24	20.0	10.83
1947	127	5.06	9,305	....	1,614	1,345	4.13	26.0	11.54
1948	130	7.00	8,759	....	1,625	1,556	6.98	31.0	12.94
1949	126	5.70	5,943	....	975	1,090	7.78	......	15.19
1950	130	6.73	7,474	14,480	1,100	930	9.89(e)	......	18.09
1951	142	7.94	5,782	12,561	1,190	1,360	10.83(e)	73.0	20.20(e)
1952	......	......	3,300(a)	18,265	760(a)	1,090(a)	....	......	....

Note: nectar=2.47 acres; (e) estimated; (a) First quarter of 1952 at the annual rate.



1952 Midyear Re-appraisals of Values; Earnings and Dividend Forecasts

★ ★ ★

Prospects and Ratings for Chemicals, Steels, Autos, Tires, and Auto Accessories

Part V

The investor has rarely had a more complex set of conditions to consider in formulating his investment program and in checking his securities to determine whether changes should be made in his portfolio. The difficulties in his way are necessarily multiplied by the rapidity with which trends in earnings are affected by such factors as high income taxes, fluctuations in consumer buying, changes in government controls of prices and allocations of materials, variations in the price level and the latter's effect on the value of inventories.

For the past year, earnings reports have reflected a decline in the profit margin and, consequently, earnings. Under the circumstances, investors are trying to discover whether this trend will continue or whether earnings can be stabilized around current levels. Obviously, such influences bear heavily on dividend prospects and security values. It is, therefor, of the greatest importance for the investor to obtain as much information as he can.

To assist our readers in arriving at sound investment conclusions under prospective conditions, The Magazine of Wall Street presents its Mid-year Dividend Forecast and Re-Appraisal of Security Values. This includes a description of the conditions under which the leading industries are operating, with an eye to their immediate trends and their bearing on corporation profits. In addition, we present tables for each group of stocks, covering in most cases such important data as earnings, operating margin, sales, dividends and yields. The stock of each company listed is rated according to investment quality, based on the financial position and earnings and dividend prospects.

The key to our ratings is as follows: A+, Top Quality; A, High Grade; B, Good; C+, Fair; C, Marginal. The accompanying numerals indicate current earnings trends thus: 1–Upward; 2–Steady; 3–Downward. For example, A1 denotes a stock of high grade investment quality with earnings increasing.

Stocks marked with a "W" are recommended for income return. Issues with above-average possibilities for appreciation are marked "X." *Purchases for appreciation should be timed with the investment advice given in the A. T. Miller market analysis in every issue of this publication.*

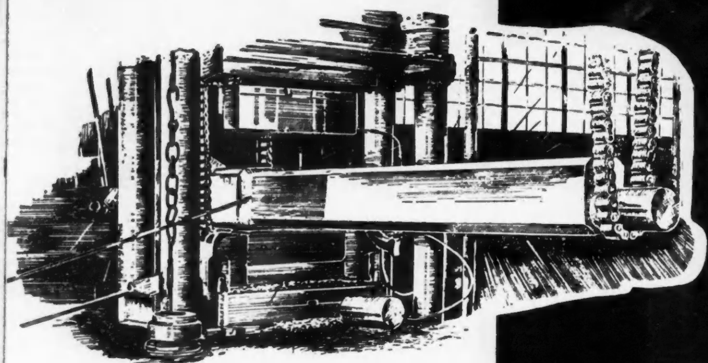
To make the fullest use of this feature, we suggest that the reader pay careful attention to the description of each industry as given in the text. This gives the up-to-the-minute situation especially with regard to the major factors affecting these industries. By using this material as a background, the reader is enabled to tell whether the industry in which he holds securities is in an up-trend or the reverse.

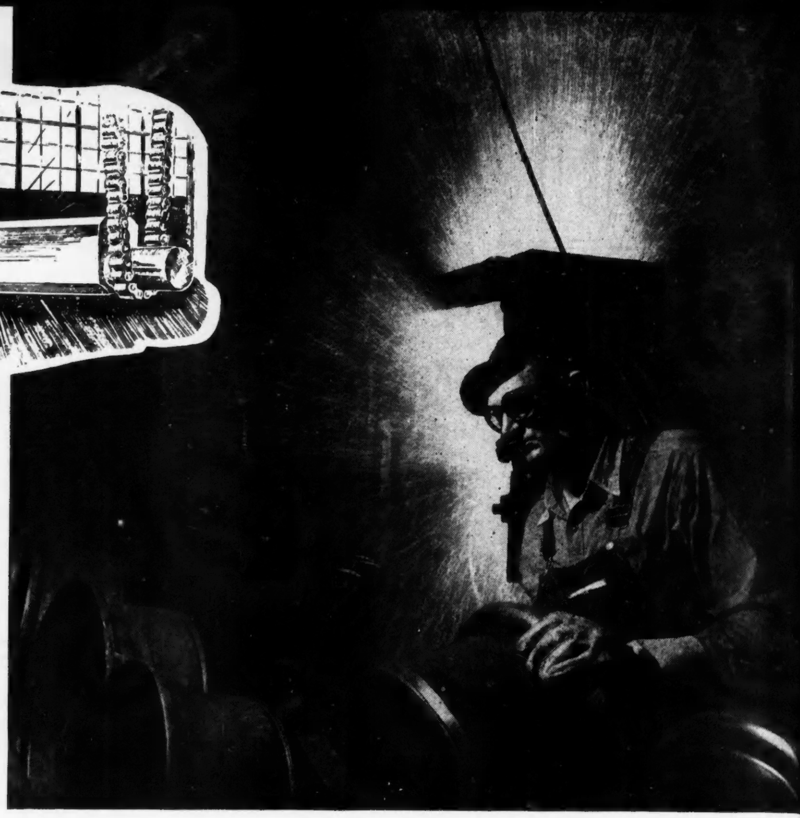
The tables, of course, are of great importance as they present the essential facts concerning the companies listed, such as a comparison of profit margins, dividends, yields and the price range. These tables enable the reader to tell at a glance which companies are making progress and which are failing to make headway. This will enable him to place his own company in its actual position as compared with other companies in the same field.

Earnings figures given are based on the statements covering the first six months of the current corporate year in practically all cases. Where the fiscal period ends in a different month than June, a notation of this has been made.

Subscribers will appreciate that we have made every effort to make this feature as useful and comprehensive as possible. We suggest that the tables and accompanying text be kept for future reference. In that way, we believe, the greatest value will be obtained by investors.

In the following issue we shall complete our mid-year Dividend Forecast starting with the July 14 issue. Emphasis is laid especially on the tables which include 6-months earnings figures just issued by the companies. These tables are valuable for reference and should be retained by our subscribers, as they include our profit margin calculations on hundreds of the leading companies.





What Now for The STEEL STOCKS?

By H. F. TRAVIS

Owners of steel stocks and prospective purchasers, studying the results of the settlement that brought to an end the industry's longest strike, wonder whether steel shares are undervalued or overvalued on the basis of conditions prevailing now and likely to be encountered in the months ahead. No one knows for certain, of course, what the actual financial effects will be and how the investment world will appraise them. It may be said, however, that well trained observers feel that profit margins that characterized operations in 1950 and earlier are unlikely to be repeated. In fact, most industry representatives may be fortunate to continue to fare as well as in 1951.

Before exploring the probable consequences of narrower profit margins, it may be well to review recent developments to see why income before taxes is likely to be reduced as a result of the sharp rise in wages. Competent managements insist that wage concessions mean an advance of close to $6 a ton on costs without taking into account eventual increases in coal, iron ore, steel scrap and other materials going into production of steel. These materials are sure to rise as wages in other industries follow the pattern established in steel, it is argued. The $5.20 a ton average price increase authorized by the Government authorities as an inducement to compromise differences between union and management will only partially compensate for higher costs, producers insist.

Moreover, although the current urgent demand for steel assures a ready market for all that can be produced, no one is foolish enough to believe that shortages are likely to prevail indefinitely. The time may be not too far away, then, when the steel makers may be compelled to make concessions and will face the threat of even narrower margins. Thus the gradual decline in steel profits that began two years ago may be only temporarily retarded in the next few months.

Lest the reader jump to the conclusion that this observation foreshadows a depressing opinion on the prospects for steel shares, a word of assurance should be injected here. Even if profit margins should come under pressure again after a temporary period of recovery, one must not forget that they have been exceptionally generous for a good many years and that investors have been extremely cautious in appraising earning power of representative steel makers. Accordingly, it probably would be a mistake to become unduly pessimistic over the outlook marketwise for steel stocks—especially if international affairs should seem to dictate the necessity of maintaining armaments at a high level for the indefinite future.

In looking at steel stocks from an investment viewpoint also, one should not overlook the vast expansion that is taking place. What this means is that some companies are building modern mills that probably could operate economically under much more keenly competitive conditions. In other words, when a business recession comes and demand for steel shrinks, the large integrated companies which have modernized their facilities will be able to close obsolete high-cost plants and concentrate production in new efficient mills. The smaller marginal concerns may be seriously threatened by such conditions. Hence, discrimination in the selection of steel stocks is important.

Smaller companies concentrating on wide margin types of steel can fare well (*Please turn to page* 632)

Position of Leading Steel & Iron Companies

	First Half 1952			1951							
	Net Sales (Mil.)	Net Margin %	Net Per Share	Net Sales (Mil.)	Net Margin %	Net Per Share	Recent Price	Indicated Current Div.(*)	Div. Yield	Investment Rating	COMMENTS
Acme Steel	$ 27.5	5.9%	$ .81	$ 80.9	8.1%	$3.32	27	$1.80	6.6%	C3	Rigid ceilings and consumer resistance to price increases likely to impair margins. Reduced dividend seems safe for a time.
Alleg. Ludlum Steel X	89.2	4.4	1.33	228.7	3.8	5.40	38⅛	2.50	6.5	B3	Prolonged suspension of production certain to reduce 1952 net sharply; probably not more than half 1951 showing of $5.40 a share. Year-end extra dividend doubtful.
Armco Steel	256.8	5.6	2.79	534.8	6.5	6.69	39	3.00	7.7	B2	Less seriously affected by strikes than many competitors, earnings may compare more favorably with 1951's $6.69 a share. Regular $3 annual rate seems assured.
Bethlehem Steel	806.7	3.0	2.20	1,793.0	5.9	10.43	50¾	4.00	7.9	B3	Despite indicated rise in costs due to higher rates, should earn about half of 1951 net and cover $4 dividend by adequate margin.
Byers, A. M.	25.5[2]	2.1	1.21[2]	37.8[1]	4.6	5.34[1]	21⅞	2.00	9.2	C3	Sharp decline in earnings indicated and prospects for coming year not too encouraging. Down-turn puts $2 dividend in doubt.
Carpenter Steel	34.7[3]	6.5	5.33[3]	44.1[4]	8.9	9.89[4]	50	3.00	6.0	B2	Strong demand for high-priced specialty steels with wider than normal margins favorable for this efficient producer. Prospects promising for holding $3 rate.
Colo. Fuel & Iron	160.4[3]	3.3	2.47[3]	191.4[4]	5.2	4.89[4]	19⅞	1.50	7.6	C3	Earnings estimated about $3 a share for year ended June, and narrow margins indicated for coming year. Dividend of $1.50 adequately covered, however.
Continental Steel	20.1	3.7	1.52	39.8	3.8	3.05	22	1.70	7.7	C3	Difficulty in passing along increased costs likely to handicap earninsg; net may fall under 1951. Lower dividend seems reasonably secure.
Crucible Steel	n.a.	n.a.	1.75	202.8	4.1	11.61	32¾	[8]	....	C3	Benefits of intensive improvement program helping hold down costs; net profit expected well under 1951. Continuance of stock dividend likely.
Follansbee Steel	11.7	1.3	.35	34.1	5.4	4.20	17⅜	1.25	7.2	C3	Reduced sales and narrower margins due to hold 1952 earnings well below $4.20 of 1951; indicated $1 dividend rate insecure.
Granite City Steel	31.5	4.4	.82	86.6	5.9	4.02	22	1.75	8.0	C3	Urgent demand for raw materials favorable for marginal producer, but prospect of sharp drop in 1952 earnings imperils $2.20 dividend.
Inland Steel X	219.0	5.1	2.32	518.6	6.6	7.02	46	3.00	6.5	B2	Good sales territory and efficient plant point to maintenance of reasonably adequate margins; earnings under $7 a share of 1951 seen. Regular $3 dividend secure.
Interlake Iron	33.1	6.0	1.01	74.8	6.7	2.58	16⅛	1.00	6.2	C3	Promise of high production in coming 6 months should prove favorable but narrowing of margins foreseen later. Wide margin estimated for $1 dividend.
Jones & Loughlin Steel	229.2	2.0	.62	564.3	5.4	4.76	22⅝	1.80	8.0	B3	Increased wage costs and plant enlargement program to handicap earnings, but net profit expected to cover $1.80 dividend.
Keystone Steel & Wire	n.a.	n.a.	2.59[5]	91.4[4]	7.9	3.87[4]	22	1.60	7.3	C3	Further downtrend in earnings indicated but net should compare favorably with $2.59 in year just ended, amply covering $1.60 rate.
Lukens Steel	51.0[7]	3.3	5.34[7]	80.5[6]	4.4	11.16[6]	41½	3.00	7.2	C3	Sharp decline indicated for year nearing close, but net may approximate $7 a share, with hope of modest extras before end of 1952.
National Steel X	252.1	6.1	2.12	618.4	7.3	6.16	49	3.00	6.1	B3	Decline of 25-30% in 1952 net profit estimated, but efficiency in operations favorable for longer term. Maintenance of $3 rate indicated.
Republic Steel	428.9	3.7	2.61	1,052.7	5.2	9.03	41¼	3.25	7.8	B3	Benefits of modernization likely to sustain earnings for next year or so and provide ample coverage for $4 dividend despite rising costs.
Sharon Steel	61.4	1.5	.86	168.9	5.2	8.06	35½	3.00	8.4	C3	Production restrictions on consumers of light steels hamper earnings and point to sharp drop in earningr. More conservative dividend seen.
Sloss-Sheffield St. & Ir.	n.a.	n.a.	2.58	31.1	9.6	6.02	37⅜	3.00	8.0	C3	Consolidation with U.S. Pipe & Foundry expected to gain apprroval of principal holders. Defense program favorable for demand. Regular $3 dividend secure.

(n.a.)—Not available
*—In general, actual rate of payments for steel group uncertain due to strike effects.
1—Year ended September 30, 1951.
2—9 months ended June 30, 1952.
3—9 months ended March 31, 1952.
4—Year ended June 30, 1951.
5—Year ended June 30, 1952.
6—Year ended October 27, 1951.
7—36 weeks ended July 5, 1952.
8—Paid 5% in stock to June 30, 1952.

under conditions such as currently prevailing when raw materials are in scant supply. Accordingly, these companies appear to be faced with a period of exceptional prosperity while they can operate full blast and obtain premiums for a substantial portion of production. Who is to say how long such a period may last? Some observers think that steel may begin to become reasonably plentiful by next spring. A serious shortage of iron ore next winter—forecast by industry bigwigs—would likely cause a slackening in steel-making and extend shortages into the summer of 1953. Moreover, there is no assurance that a prolonged coal strike might not intensify steel shortages. So long as such uncertainties persist, consumers of steel may be counted on to add to their inventories of raw materials as much as possible. Motor car manufacturers willing and able to pay premiums for conversion steel likely will do so with the result that marginal companies stand to benefit from such manufacturing activities for some time to come.

Another reason for distinguishing between the major integrated companies and marginal concerns is found in the fact that the large producers have placed great emphasis on enlargement of facilities for turning out specialty steels. Modernization programs have recognized the possibility of improving earning results by producing stainless and other high alloy types commanding premium prices. In other words, the big companies that once were satisfied to produce large volume of carbon steel now have been moving into fields where specialty processors have demonstrated larger profits are available. This trend means that smaller non-integrated companies may be at a disadvantage.

The larger concerns appear destined to hold strategic advantages in years to come when domestic ore supplies begin to become scarce. Major producers such as U. S. Steel, Bethlehem and a few others have taken steps to assure adequate sources of ore in South America, in Laborador and in Canada.

In examining earnings potentialities of typical steel producers, the reader will find the accompanying compilation of latest available statistical information useful. Comments on earnings and dividend possibilities are included.

It may be noted in this connection that practically all steel companies have greatly strengthened their financial position in recent years in ploughing back into new plants substantial earnings. Many concerns, accordingly, have bolstered book values and working capital to such an extent that their shares are entitled to higher investment ranking. This is especially noticeable in the cases of the larger integrated companies.

In pondering prospects for the steel industry—or for any other industry subject to cyclical factors of "feast or famine"—it would be unrealistic to fail to take into consideration political philosophies that have come into favor in recent years. One should not neglect, for example, to make allowance for the tremendous influence of labor unions—the Philip Murray dominated Steelworkers' Union, to be specific. With the assistance of a benevolent Washington Administration, Mr. Murray's union has been able to regulate with a high degree of efficiency the amount of steel produced and the wage rates paid to workers—not to mention the profits of producers.

Whether or not practices pursued in the past are to persist remains to be seen, but to be on the safe side it would be well to take into consideration the possibility that the steel industry may be shut down at intervals to permit consumption of excessive inventories and to reinstate a firm price structure that will enable the industry to continue to pay high wages. That is what has been accomplished by the recent strike, the basis for which was made possible by the cooperation of (*Please turn to page* 652)

Position of Leading Steel & Iron Companies (Continued)

	First Half 1952			1951							
	Net Sales (Mil.)	Net Margin %	Net Per Share	Net Sales (Mil.)	Net Margin %	Net Per Share	Recent Price	Indicated Current Div.(*)	Div. Yield	Investment Rating	COMMENTS
Superior Steel	15.0	3.0	1.63	27.9	5.4	5.37	22½	1.50	6.6	C2	Demand regarded as promising for stainless and patented copper-clad products. Earnings expected to warrant extra dividend.
U. S. Pipe & Foundry	43.5	4.8	2.88	89.7	4.0	5.19	38¾	3.00	7.7	B2	Improved results from concrete activities expected to help 1952 earnings and afford ample protection for $3 dividend. Merger expected to bolster position.
U. S. Steel X	n.a.	n.a.	2.04	3,509.6	5.2	6.10	40⅛	3.00	7.4	B3	New manufacturirg facilities expected to strengthen competitive position, but wage hike and heavy depreciation charges handicap earnings. Regular $3 rate safe.
Wheeling Steel	n.a.	n.a.	n.a.	227.0	7.6	10.96	37	3.00	8.1	B2	Strong consumer demand points to rebound in earnings later in year, but moderately lower results indicated for 1952. Ample coverage estimated for $3 rate.
Woodward Iron	n.a.	n.a.	3.59	33.9	17.3	8.33	56	3.50	6.2	B2	High rate of operations over near term should sustain 1952 earnings. Maintenance of $4 rate with extras indicated.
Youngs. Sheet & Tube	206.6	4.1	2.54	483.7	6.3	9.15	45¼	3.00	6.6	B3	Slackening of drilling in petroleum industry may curtail demand for pipe, but outlook favorable for near term. Drop estimated in earnings, but $3 dividend seems safe.

(n.a.)—Not available
*—In general, actual rate of payments for steel group uncertain due to strike effects.
1—Year ended September 30, 1951.
2—9 months ended June 30, 1952.
3—9 months ended March 31, 1952.
4—Year ended June 30, 1951.
5—Year ended June 30, 1952.
6—Year ended October 27, 1951.
7—36 weeks ended July 5, 1952.
8—Paid 5% in stock to June 30, 1952.

Slow-Down or Speed-Up

Ahead for The Chemicals?

By STANLEY DEVLIN

The chemical business is our most typical growth industry, its production outpacing that of U. S. industry as a whole by a sizeable margin. Chemical sales have skyrocketed since prewar years.

Profit margins tended to narrow during wartime years with the imposition of Government price controls and renegotiation of profits, but expanded in the postwar period, though increasing Federal taxes have recently cut heavily into earnings. The industry has benefitted by heavy development of new products, on which profit margins are usually excellent until competition gains a foothold. Thus du Pont and Dow, with their active research and development programs, last year showed pre-tax profit margins of 38%, and Union Carbide reported 32%, while the old-line leader Allied Chemical had only 24% (the figure might be raised slightly if net sales instead of gross sales had been used). In general the industry has been favored by the fact that labor costs are relatively smaller, and therefore less of a headache, than for many manufacturing industries.

As noted above, income and excess profits taxes now make heavy inroads into chemical profits. Thus du Pont, which in 1947 paid only $64 million in income taxes, last year had to give Uncle Sam $360 million; in the same period Union Carbide's payment increased from $47 million to $165 million, and Dow from $13 million to $74 million (including $17 million EPT).

The amazing postwar growth of the chemical industry has been due largely to the increased production of industrial chemicals, which in 1951 showed an average gain of 442% over 1935-39, according to the Federal Reserve Board. Petrochemicals derived from oil and natural gas have enjoyed amazing growth, following the former exploitation of coal-tar products.

Two major companies in the petro-chemical field are Union Carbide and Dow Chemical, but other chemical companies are now getting into the field, and even outsiders such as Firestone Tire & Rubber, Celanese and National Distillers have joined the swim. Some of the oil companies, particularly Phillips, Shell, Lion Oil and Standard of California have also entered this business. While the field cost of natural gas is rising rather rapidly, this is offset to some extent by new processes which remove the important base chemicals without greatly reducing the heat content of the gas. (Mathieson Alkali and National Distillers are working on this angle.)

Now, however, the industry seems to be turning back to coal. Union Carbide recently announced the successful completion of experiments to produce chemicals directly from coal by the hydrogenation process—a goal which many experts had considered impossible. The company had already achieved leadership in the petro-chemical field, with an investment of nearly a half billion dollars in this division alone, including allied plastics. It is said that an equal amount may eventually be invested in facilities to exploit coal.

These new coal chemicals will have a wide variety of uses—one is used as part of a new tuberculosis treatment, another will enter into the making of Vitamin B pills, others will go into plastics, textiles,

Position of Leading Chemical Companies

	First Half 1952			1951							
	Net Sales (Millions)	Net Margin	Net Per Share	Net Sales (Millions)	Net Margin	Net Per Share	Recent Price	Indicated Current Div.	Div. Yield	Invest-ment Rating	COMMENTS
Air Reduction W	$ 63.0	6.1%	$1.21	$118.1	6.3%	$2.69	27	$1.40	5.1%	B2	Second-largest company in industrial gases, postwar record irregular account narrowing profit margins. Carh position strong, $1.40 dividend seems safe.
Allied Chem. & Dye W	244.3	8.4	2.33	502.0	8.1	4.58	78¼	3.00	3.8	A2	Largest producer of alkalis and heavy chemicals, but until recently slow on research; impregnable finances, blue chip status, dividends safe.
Amer. Agricul. Chem.	53.5[8]	7.2	6.17[8]	51.9[5]	7.7	6.43[5]	68	4.50	6.6	B2	Leading fertilizer producer, rising earnings over past decade. June year earnings $6.17, off slightly. Usual $1.50 extra expected in September.
Amer. Cyanamid W	183.2	6.5	2.79	388.7	8.9	8.08	54⅝	2.00	3.6	A3	Well diversified, with important drug division. Good earnings gains in 1946-50, but sharp decline in first half this year.
Atlas Powder	25.6	3.4	1.39	51.6	3.9	3.24	36⅜	2.00	5.5	B3	Earnings erratic, may drop to around $2.75 versus $3.24. Long range outlook satisfactory, but $2 dividend not too secure.
Columbian Carbon	22.9	9.3	1.32	50.0	10.9	3.39	51	2.25	4.4	B3	Earnings in narrow range since 1946; lower trend this year may prevent payment of year-end extra, though cash position strong.
Commercial Solvents	21.6	.7	.06	61.1	9.5	2.22	22½	1.00	4.4	C3	Made bad first-half report, and dividend status somewhat doubtful until new fertilizer plant in operation and earnings improve.
Davison Chemical	34.1	4.1	2.16	43.1	6.2	4.18	37½	1.50	4.0	C2	Specializes in fertilizer and industrial chemicals. Earnings steady in 1949-51, but down recently. Dividend appears safe, long-term outlook promising.
Dow Chemical W	407.1[2]	8.8	4.96[2]	339.5[1]	11.9	5.99[1]	118[9]	2.40[7]	2.0	A3	Tremendous growth, sales up 34-fold since 1932, nearly doubled since 1949. Share net gained sharply, though lower recently. Dividend safe.
Du Pont	764.4	13.3	2.12	1,545.6	14.2	4.64	90¼	3.40	3.7	A3	Blue chip leader with dynamic management, rapid growth, and excellent finances. Share net in downtrend in 1951-2. Dividends secure.
Food Mach. & Chem. W	116.7	4.6	1.73	151.8	6.4	4.01	45	2.00	4.4	B2	Half food machinery, half chemical; aggressively acquiring new companies. Earnings may hold around $4, with $2 dividend maintained or increased.
Freeport Sulphur W	18.5	18.8	1.41	34.7	18.4	2.63	41⅞	2.00	4.8	A2	Benefited by sulphur shortage 1944-50. Earnings may recover from 1951 setback, heavy cash protects dividend. Increased reserves bolster long-term position.
Hercules Powder	91.7	6.4	2.12	212.5	6.4	4.95	73¾	3.00	4.1	A3	Well diversified; good growth, sound finances. First half earnings off moderately, year-end extra may be slightly smaller.
Heyden Chemical	10.6	6.0	.35	29.8	7.9	1.92	17¼	1.00	5.8	B3	42% of sales to drug industry; increased penicillin competition resulted in bad June quarter. Strong cash position may protect dividend.
Hooker Electro-Chem.	18.7[4]	8.4	1.51[4]	39.6[3]	9.0	3.46[3]	56	2.00	3.5	B2	Specializes heavier chemicals. Postwar earnings uptrend, but first half moderately lower. While cash position only fair, $2 dividend looks secure.
Inter. Min. & Chem.	58.4[6]	6.8	1.73[6]	66.2[5]	9.8	3.06[5]	37	1.60	4.3	C2	Company well managed, improving position in fertilizers. June year earnings may be slightly below previous $3.06. Cash strong, dividend protected.
Mathieson Chem.	61.0	9.0	1.63	91.2	10.5	3.56	44½	2.00	4.5	B2	Formerly heavy in alkalis, now more diversified; acquiring Squibb, important drug producer. $2 dividend seems reasonably safe.
Monsanto Chemical W	126.3	8.7	2.05	272.8	8.6	4.70	91⅞	2.50	2.7	A2	Dynamic management, good postwar gains. Profits off only moderately in first-half. With substantial cash, $2.50 dividend appears safe.
Penn. Salt Mfg.	29.2	5.6	1.32	47.5	7.4	3.55	51½	2.00	3.9	B3	Derives 300 chemicals mainly from salt. 1951 net estimated around $2.50, down sharply; year-end extra might be reduced or omitted.

1—Year ended May 31, 1951.
2—Year ended May 31, 1952.
3—Year ended Nov. 30, 1951.
4—6 months ende May 31, 1952.
5—Year ended June 30, 1951.
6—9 months ended March 31, 1952.
7—Plus stock.
8—Year ended June 30, 1952.
9—Old stock.

dyes, insecticides, auto finishes and the important new rocket fuels. The supply of some of these products has been short, because they have been by-products of the coke and steel industry. Other of these chemicals, hitherto only laboratory curiosities, can now be produced on a quantity basis, it is predicted.

Enormous Expansion Program

The chemical industry's rapid postwar growth was of course due to wartime shortages, and postwar stockpiling to meet the needs of the defense program. Like many other industries, it has been engaged in a tremendous expansion program. Some $3¼ billion were spent last year on construction of chemical facilities, including those erected by non-chemical companies, and projected expenditures this year are estimated at around $4.3 billion.

In general, chemical shortages have now been pretty well eliminated, sulphur and sulphuric acid being the principal items which remained in short supply early this year. The industry has not been operating at full capacity recently, and it appears likely that the construction program may soon begin to taper off, particularly in view of the stretchout in the defense program. Portions of the industry which have been less active include plastics, textile chemicals and dye stuffs, alcohol, etc. The industry's aggregate sales this year are expected to be up only slightly over 1951, though there may be some second-half gains in the output of textile chemicals and plastics. The steel strike has interfered with the production of coke and some other raw materials.

Reflecting easier prices in some lines, reduced demand, and rising costs and taxes, first half earnings statements have made a rather unfavorable showing. Operating profit margins this year have been generally narrower and higher taxes have taken an additional bite out of net income. Thus du Pont's sales were down over 1% and share earnings were $2.12 vs. $2.50. Union Carbide made a similar showing, reporting $1.61 vs. $2.02. American Cyanamid sales were off 9% and share earnings of $1.40 were less than half of the $2.90 reported for last year, which however included a non-recurring item of 62c. a share. Monsanto's gross dropped 10%, share earnings were $2.05 vs. $2.26. Due to continued acquisition of other companies, Food Machinery's sales jumped nearly 45% in the first half over last year, but depsite this huge backlog of new business share earnings were $1.74 vs. $2.11 (outstanding shares had increased 30%).

To some extent the declines in sales this year have been due to the working off of inventory accumulations which had resulted from earlier "scare buying," and this year's flattening out of the growth curve thus seems likely to prove temporary. Assuming that the forecasts in the recent report issued by the President's materials policy commission are borne out, there is a tremendous growth potential ahead for the industry.

What about the future outlook for profits? It appears likely that the picture will improve next year, with more normal sales, and with costs under better control as the result of new and efficient plants. Net income figures should make a better showing, assuming that the defense program is not curtailed further. However, such curtailment might help more than it would harm, since then there would be greater assurance that the provisions of the tax law covering excess profits taxes will be allowed to lapse next June. Exemption from EPT would be a boon to earnings, since the rapid growth of the chemical industry has made it particularly vulnerable to this form of taxation. *(Please turn to page 652)*

Position of Leading Chemical Companies (Continued)

	First Half 1952			1951							
	Net Sales (Millions)	Net Margin	Net Per Share	Net Sales (Millions)	Net Margin	Net Per Share	Recent Price	Indicated Current Div.	Div. Yield	Investment Rating	COMMENTS
Rohm & Haas	52.7	4.8	2.81	106.8	6.3	7.48	115	1.60	1.4	B3	Diversified trade-marked line. Earnings gained in 1945-50, off sharply in first-half. $1.60 dividend should continue, with another 2% stock distribution.
Texas Gulf Sulphur W	37.1	35.5	3.95	73.0	34.8	7.62	113¾	5.75	5.0	A1	Sharp postwar gains, first half slightly ahead of 1951. Heavy cash, generous dividends; quarterly extras can probably be maintained.
Union Car. & Carbon W	452.8	10.2	1.61	927.5	11.2	3.61	66⅜	2.50	3.7	A3	Second largest; strong research, dynamic growth. Earnings reached 1950 peak, now in moderate downtrend. $2.50 dividend, including extra, now moderately covered.
United Carbon	15.1	11.6	2.20	33.3	10.9	4.58	64¾	2.50	3.8	B2	Major carbon black producer, benefiting by sales of natural gas, oil. Earnings in decade uptrend, well sustained in early 1952. Dividend secure.
Victor Chemical	16.8	7.3	.64	32.6	8.7	1.60	28¼	1.00	3.5	B3	Company specializes in phosphate chemicals, has interesting growth record. 1952 earnings off moderately. $1 dividend bolstered by strong cash.
Virg.-Caro. Chem.	52.7[6]	4.4	2.62[6]	71.8[5]	7.0	6.31[5]	22⅜	......	....	C3	Produces fertilizers, industrial alkalis. Over-capitalized, preferred arrears $73.50, recapitalization difficult. Big postwar earnings gain, but decline recently.

1—Year ended May 31, 1951.
2—Year ended May 31, 1952.
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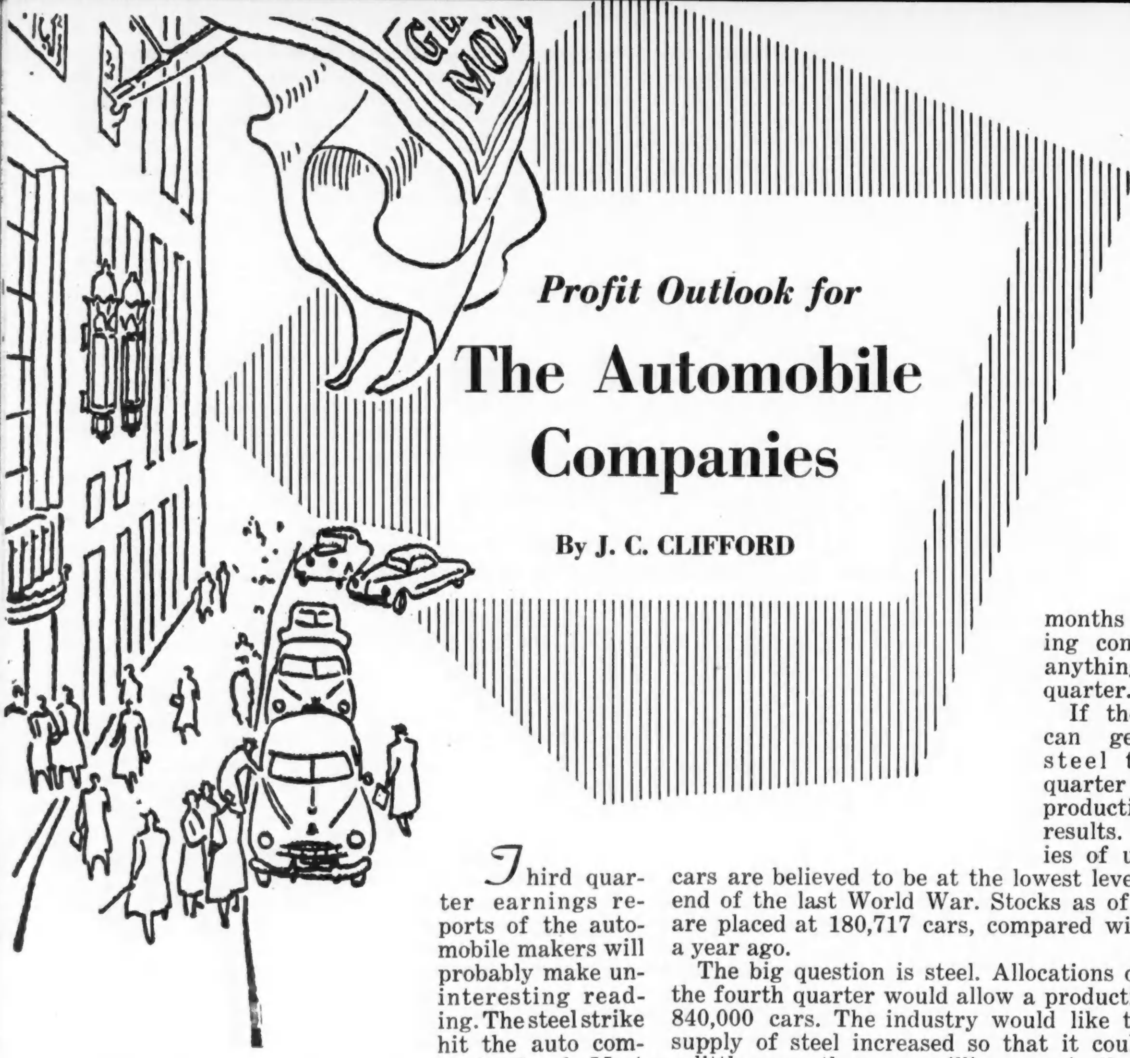
4—6 months ende May 31, 1952.
5—Year ended June 30, 1951.
6—9 months ended March 31, 1952.
7—Plus stock.
8—Year ended June 30, 1952.
9—Old stock.



Profit Outlook for

The Automobile Companies

By J. C. CLIFFORD

Third quarter earnings reports of the automobile makers will probably make uninteresting reading. The steel strike hit the auto companies hard. Most of them staggered through June, eking out an existence as best they knew how because of their lack of steel. And with the strike continuing into the last week of July, hope of being able to get production to a level and in time to enable them to make a half-way decent third quarter showing evaporated completely.

Aside from cutting off the flow of steel, the strike threw the automobile companies off stride. It will require several weeks for them to recover their balance and several more weeks before they can begin to turn out cars at anything like the pre-strike rate. Illustrative of this fact is that during the first week following the resumption of steel production, total assemblies of the entire automobile industry were 14,752 cars. In the first week in August output had more than doubled to 35,039 car assemblies, but in the following week, with Ford shut down again, assemblies declined to 22,575 cars.

The final week in August probably saw a material improvement in operations. By then, General Motors will have gotten more of its plants back into production with Chrysler, Nash, Packard and practically all the other producers further improving their operating positions. September probably finds the entire industry getting closer to normal activity, but this is too late to warrant the current three-months period being considered as anything but a lost quarter.

If the industry can get enough steel the final quarter should be productive of good results. Inventories of unsold new cars are believed to be at the lowest level since the end of the last World War. Stocks as of August 1, are placed at 180,717 cars, compared with 387,286 a year ago.

The big question is steel. Allocations of steel for the fourth quarter would allow a production of only 840,000 cars. The industry would like to have its supply of steel increased so that it could produce a little more than one million cars in the last three months. Car builders would like to recover some of that lost production which is placed at around 544,000 units. There are those in the auto industry who hold that some officials in Washington exaggerate the steel shortage. They may prove to be right since the steel mills, within a month after the strike settlement, are operating at better than 97 per cent of capacity. Evidently, the NPA is inclined to agree with the auto men's view and has ruled that car builders, beginning October 1, may augment their steel allocations by using conversion steel up to 500 tons in the final quarter of this year as well as in the first quarter of next year. The catch is that such steel will cost more. It is sold in ingot form and the purchaser has to have it finished at his own expense.

Outlook for Balance of 1952

The outlook for the second half of 1952, therefore, is not one which promises great things for the automobile builders whose first half's results gave indications that full year's earnings would equal and perhaps exceed the 1951 showings. All this, of course, has been changed by the effects of the steel strike.

In the first six months of this year General Motors came within 12 cents a share of equalling the $3.13 a share earned in the first six months of last year.

First half-year's operations were not materially affected by the steel strike which began on June 2nd. Some departments and plants, however, did close down toward the end of the month, and this was followed by a sharp curtailment of production during the month of July. It is doubtful that General Motors can recoup the loss of production in the final quarter of the year, even if necessary steel is available.

Net sales of the company in the first half-year totaled $3.8 billion. Of this total, civilian sales accounted for $3.1 billion, a decline of $465 million from the figure established in the first half of last year. The not-so-profitable defense business in the 1952 first half was up by $459 million and this rate of increase will most likely be carried through to the end of the year. All things considered, the steel strike threw up a road-block against earnings for the final half year and it seems reasonable to anticipate that General Motors will finish 1952 with net earnings below 1951's $5.64 a share, but still amply covering the $4 annual dividend requirement.

Chrysler presented a somewhat contrasting picture of results from its first half-year's operations. Despite smaller sales volume of $1.2 billion—smaller by $134 million when compared with the first six months of 1951—the company was able to show per share earnings of $5.02, compared with $4.11 for the corresponding period of last year. The decline in sales was approximately 10%, but this was more than offset by a 17% cut in costs, which also surmounted Federal income tax of $103 million, including $22.8 million in EPT. The tax bite in the first half of last year was $32.9 million, before giving consideration to an EPT credit of $1.3 million.

The excellent showing for the first half of the current year certainly will not be duplicated in the final six months because of shut-downs brought on by the stoppage of steel production. It appears conservative, however, to expect that for the full year Chrysler will come fairly close to matching 1951 earnings of $8.27 a share.

Statistical Position of Automobile and Truck Manufacturers

	First Half 1952			1951							
	Net Sales (Millions)	Net Margin %	Net Per Share	Net Sales (Millions)	Net Margin	Net Per Share	Recent Price	Indicated Current Div.	Div. Yield	Investment Rating	COMMENTS
Chrysler	$1,256.0	3.4%	$5.02	$2,546.6	2.8%	$8.27	81¼	$7.50	9.2%	B2	Steel strike and model changes likely to cut second half-year earnings. 1952 net, however, should fully cover dividend needs.
Diamond T	37.5	1.4	1.26	50.0	1.7	2.10	13¼	1.00	7.9	C1	May show a decline in 1952 net due to third quarter steel shortage, but outlook is good. Should maintain dividend.
Fed. Motor Truck	7.3	(d)4.8	(d).72	20.8	1.1	.46	5½	......	....	C+3	Prospects for improvement blighted by steel strike. Has need for capital. Dividend possibilities remote.
Fruehauf Trailre	82.5	3.6	1.90	156.1	3.9	3.94	26¾	2.00	7.5	B2	Heavy sales volume likely to produce 1952 earnings close to last year's level or about twice dividend needs.
General Motors	3,868.5	6.9	3.01	7,465.5	6.7	5.64	61	4.00	6.5	B2	Will probably fall short of matching last year's net due to steel strike. Dividend well covered, however, and outlook promising.
Hudson Motor Car	113.1	3.6	2.16	186.0	(d).6	(d).59	14⅞	1.00	6.9	C1	New models, plus defense work, aiding operating profits. Current dividend rate earned twice over in first half year.
Kaiser-Frazer	155.7	(d)3.8	(d)1.32	145.6	(d)8.4	(d)2.70	3⅝	......		C3	Has yet to establish itself in a highly competitive market. Heavy debt and continued deficits are discouraging factors.
Mack Trucks	83.4	1.8	1.01	149.7	1.5	1.57	13¾	1.00	7.3	C+1	1952 net may fail to match last year's results, but should be ample for dividend requirements.
Nash Kelvinator	268.8[1]	3.2	2.01[1]	401.1	4.0	3.74	21	2.00	9.5	C3	Covered year's dividend in first 9 months of current fiscal year. Stronger competition may cut 1953 earnings. Should maintain dividend.
Packard Motor	96.8	3.2	.21	178.1	3.1	.38	5⅛	.30	5.9	C3	Defense orders may help but outlook for car sales not bright. Current small dividend insecure.
Reo Motors	79.0	2.4	3.90	112.7	2.1	4.92	22¾	2.00	8.8	C+1	Benefitting from military and civilian orders. First half-year's net almost twice full year's dividend requirements.
Studebaker	285.3	3.7	3.73	503.3	2.5	5.36	38⅛	3.00	7.8	C2	Has large military orders. Prospects for civilian business good. Should continue dividend at current rate.
Twin Coach	25.1	2.1	.99	39.4	2.8	2.07	10⅛	......	....	C+3	Good bus business, supplemented by contracts for aircraft parts lifting earnings. Sizable debt may defer dividend action.
White Motor	81.0	2.0	2.12	150.0	2.8	5.85	26⅞	2.50[2]	9.3	B3	1952 net may be under last year's. Outlook is favorable and dividend should be continued.
Willys-Overland	234.5[1]	2.2	1.73[1]	219.8	2.1	1.46	9⅞	......	....	C+1	Has develoed good earning power and probably least affected by steel strike. Capital needs may postpone dividend distribution.

(d)—Deficit.
[1]—9 months ended June 30, 1952.
[2]—Plus stock.

Hudson Motor Car stands in a fair way to have a good year, having netted $2.16 a share in the first six months, contrasting with a deficit of 59 cents a share for the full 12 months of 1951. Willys-Overland Motors came through with some highly satisfactory figures for the first 9 months ended June 30, last. Record sales of $234.5 million produced a 53% increase in earnings over the corresponding period of last year even though taxes were almost doubled. Per share earnings amounted to $1.73, compared with $1.08 in the preceding year. Civilian sales of the company continued to lead military business, a unique fact considering that civilan sales of General Motors fell off while defense deliveries by the latter rose to $679 million against $226 million in the first half of 1951.

Estimate for 1953 Output

Defense deliveries should help sales figures for most of car and truck makers in the last half of this year. This business for the most part, however, is not as profitable as civilian car and truck business but it gains somewhat in importance at a time when civilian production is restricted by material allocations.

The industry, however, is looking ahead to 1953, and anticipating an output of 5 million cars. Most of the car builders are planning marked changes in body styling and mechanical improvements to produce sales in what the consensus of opinion believes will be a buyers' market. In other words, the automobile companies are girding themselves for a more competitive market than has existed since before Pearl Harbor.

Nash and Willys have already brought out new models and Ford, earlier this year, introduced completely new Ford, Mercury and Lincoln lines. In addition to some changes in body styling, changes in power plants and minor alterations, many of the car manufacturers will emphasize power steering, heretofore limited to cars in the high-price brackets. All of this indicates a year of great activity but here again much depends on the availability of not only steel but other metals of which there does not appear to be any scarcity at the moment. If the industry is to achieve its 1953 goal of 5 million cars, however, a more liberal attitude on the part of materials-control officials in allotting steel to the car builders will be necessary. The use of conversion steel to the extent of 500 tons will help and this quantity may be increased by obtaining permission from the Iron and Steel Division of the NPA. There may not be enough of this type of material to go around and in any event, it is going to add to the cost of production which must be taken into consideration when pricing cars for sale in what officials candidly admit will be a market in which buyers hold the scepter.

Market Position of Stocks

It is obvious that the industry, while looking forward to a good demand for cars in 1953, is not overly optimistic. Some of the smaller companies that have been fattening on the sustained demand as an aftermath of curtailed production during the war years may experience some "rough sledding" in the months to come in comparison with the halcyon days of 1950 and 1951 and earlier years. With one or two exceptions, however, most of them should be able to sustain earnings at levels sufficiently high to continue dividend disbursements at prevailing rates.

Marketwise, the stocks of automobile companies appear to be generously priced, notwithstanding the fact that at current levels dividend yields on the majority of the issues are attractive.

The Truck Builders

Prospects for the truck builders warrant optimism, as to results for the final quarter of this year and for the first half of 1953. The steel strike unquestionably has had a marked effect on truck production for the current quarter, however, upsetting the promise that combined output of civilian and military vehicles this year would come close to equalling the record 1.4 million units produced in 1951.

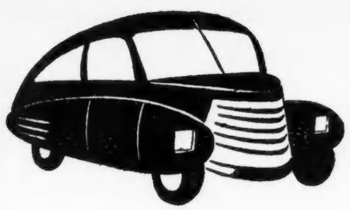
Prior to the walkout of steel mill workers, Reo Motors gave every indication of establishing record sales and earnings for the year. Sales for the first half-year to June 30, were at a peak level of $79 million, up $22 million from those registered in the corresponding period of last year. Second quarter sales alone amounted to $41.8 million. Per share earnings, however, were held in check by higher taxes for the 1952 period, the Government taking $4.8 million which left $1.9 million, or $3.90 a share, as net profit. Last year, after a smaller tax payment on first half profits, net amounted to $3.57 a share which means that on an improvement in sales to the extent of $22 million Reo was able to increase per share earnings by only 33 cents. Third quarter results will be disappointing, but to what degree depends upon the ability to procure steel and get back into production stride. Normal operations should be restored before the beginning of the final quarter and with that accomplished, it may be quite possible that Reo will end the year with net close to $7 a share.

Limited profit margins and heavier tax rates have taken toll of Twin Coach earnings. Despite a sales gain from $15.6 million in the first half of 1951, to $25.1 million in the six months to June 30, last, net profits in the latter period amounted to only 99 cents a share, up from 89 cents for the first half of last year. Twin Coach is devoting considerable attention to producing military vehicles and parts for the aircraft industry on which there are narrow profit margins. An increase in coach demand from transit lines might help to improve earnings but production from this source to any extent does not appear to be in the offing right now.

Higher Operating Costs Reflected

White Motors was hampered, in common with its competitors, by higher operating costs, including materials, wages and the inability to adjust prices because of price controls. These conditions are reflected in operating results for the first half of 1952 when compared with those for the corresponding months of last year. For the 1952 first half, net sales of $81 million were up $8 million over the 1951 period, yet net income of $1.6 million, or $2.12 a share, was down from last year's first half by $617,000, or 92 cents a share.

Federal Motor Truck, reporting a net loss of $356,252 for the half-year to June 30, last, compared with a net loss of approximately $295,000 a year ago, voices optimism as to its future. Predictions of net income of at least 50 cents a share in the last half of the year, however, may be flattened by the effect of the steel shortage in (*Please turn to page* 658)



Widely Diversified Prospects for AUTO EQUIPMENTS

By GEORGE L. MERTON

Companies manufacturing parts and equipment for the automobile and truck builders have been referred to, through the years, as the "auto accessories industry". This may have been an accurate enough designation in the beginning but today it is a misnomer. Most of the companies in the group have extended their activities into other fields, or have succeeded in developing markets for their products in divisions of manufacturng entirely unrelated to the automotive industry.

Diversification for many of the companies is pretty wide. Borg-Warner, for instance, one of the foremost of the accessory group, is manufacturing electric refrigerators, TV sets, washing machines, air-conditioning equipment, as well as a number of other household appliances. Recently, Borg-Warner announced that it had acquired B. C. Atkins & Co., a century-old saw manufacturer; and all this is supplemented by its production of equipment for the aircraft industry. The Dana Corp., regarded primarily as a producer of parts for the automotive industry and the replacement market, has built up a good demand for many of its products from tractor and farm implement makers, aircraft builders, oil field constructors, the railroads and manufacturers of air-conditioning and refrigeration equipment.

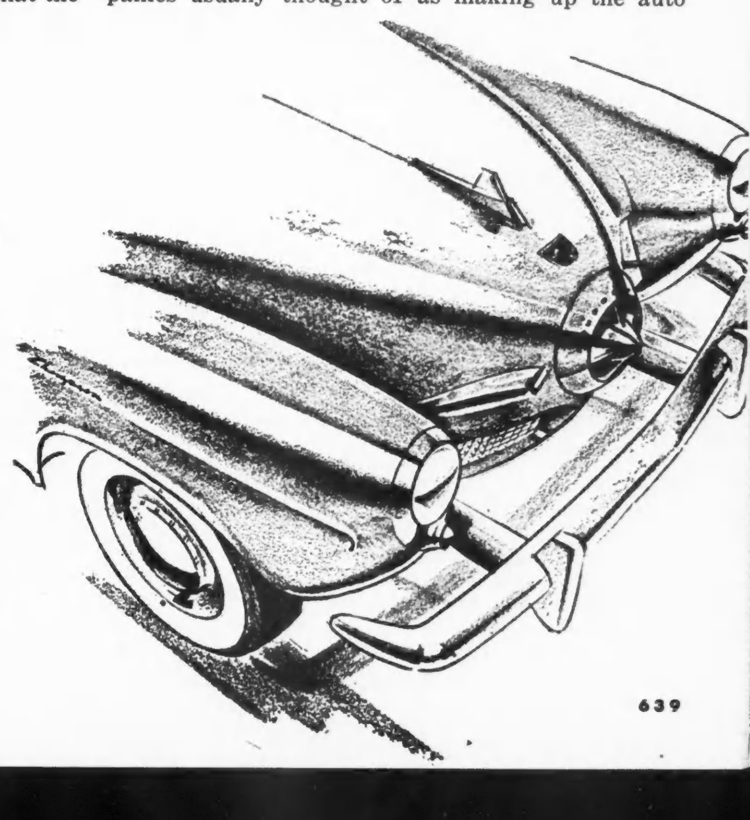
These are not illustrations of the exceptional. The situation becomes more complex by the fact that the nation's defense program has created more business for practically every company in the industry. Some of the contracts for defense work are for items in line with normal operations. Others have to do with products, which when placed shortly after the eruption of action in Korea, created conversion problems that hampered normal operations and had a depressing effect upon earnings until the problems were overcome.

— Variations in Industry —

It is thus apparent why one can't make a study of the auto accessories companies as such. Equally, it is difficult to gauge their immediate future by using the outlook for the automotive industry as a measuring stick. A factor which cannot be taken for granted is the question of profits to be realized from defense work. Profit margins on this work will vary, according to the type of product manufactured. Other factors will bear upon earnings for this year and next. They include the rate of production by the automobile and truck builders and the level to which demand for replacement parts will rise or fall. Then, too, there is the ability of the parts manufacturers to adjust operating costs and selling prices to the higher costs of raw materials, particularly aluminum and steel. Prices for these metals have already been adjusted upward following the settlement of labor's demand for higher wages from the steel and aluminum producers.

But here again, there are variations, making it impossible to apply this statement to any and all of the accessory companies. Campbell, Wyant & Cannon, the leading independent producer of automotive castings, is a large consumer or iron and alloy steels which go into the making of such heavy items as cylinder blocks, brake drums, crankcases and other automotive parts now being taken by the aircraft builders. On the other hand, Bendix Aviation produces for both the automotive and aircraft industries carburetors, magnetos, radar and navigation devices, along with other delicate instruments, and also many other items. Thompson Products produces engines and engine parts for automobiles, trucks and tractors; parts and accessories for aircraft and aircraft engines. It also manufactures electronic products for military as well as commercial use.

These are just three of a list of about 34 companies usually thought of as making up the auto



Statistical Data on Leading Automobile Parts and Accessories Companies

	First Half 1952 Net Sales (Millions)	First Half 1952 Net Margin %	First Half 1952 Net Per Share	1951 Net Sales (Millions)	1951 Net Margin %	1951 Net Per Share	Recent Price	Indicated Current Div.	Div. Yield	Investment Rating	COMMENTS
American Bosch	$	....	$	$ 75.8	3.4%	$1.91	14⅜	$ .90[12]	6.3%	C2	Fairly stable earnings reflecting diversified sales outlet, including large defense business. Dividend amply covered.
Bendix Aviation W	382.0[6]	2.7	4.88[6]	340.5[1]	3.4	5.58[1]	52¾	3.00	5.7	B1	Profitable civilian business aided by defense work, lifting earnings above good 1951 level. Dividend on solid ground.
Bohn Alum. & Brass	23.6	1.8	.82	47.6	3.0	2.71	22	1.35	6.1	B3	High materials and wage costs cutting into net profits. Might pare current dividend.
Borg-Warner W	185.2	5.8	4.51	369.1	5.7	8.84	72½	5.00	6.9	B2	Will probably fall short of matching 1951 net, but should show good margin over $5 annual dividend rate.
Bower Roller Bearing	17.1	7.9	1.50	36.6	7.4	3.04	27	2.00	7.4	B2	1952 net likely to be just under that of 1951, but should be more than ample for dividend needs.
Briggs Mfg.	....	....	2.53	381.0	2.8	5.63	34¾	3.00	8.6	B3	Not likely to come up to 1951 net this year, probably showing about $4.00 a share against $3 annual dividend.
Briggs & Stratton	20.8	7.6	2.69	38.4	7.6	4.94	34½	2.75	7.9	B1	Despite reduced car output should show 1952 results equal to or better than previous year. Could pay an extra.
Camp. Wyant & Cannon	16.3	4.1	1.93	32.0	3.5	3.29	23	2.00	8.7	C2	May do better this year than in 1951 when net equaled $3.28 a share. Dividend conservative on basis of earnings.
Clark Equipment W	74.0	4.4	4.92	130.1	4.0	7.84	50	3.00	6.0	B1	Continued high earnings expected for balance of 1952. Could readily pay sizable extra.
Cleve. Graphite Bronze	27.1	6.6	2.05	49.4	5.8	4.06	39	2.30	5.9	C2	1952 net may be slightly under last year's figure, but more than ample to assure dividend maintenance.
Collins & Aikman	10.0[3]	2.7	.50[3]	58.4[2]	5.2	5.46[2]	21	1.60	7.6	C3	Disappointing first quarter may be improved upon, but immediate outlook obscure and dividend uncertain.
Dana Corp.	131.6[4]	5.6	2.87[4]	171.8[5]	6.4	4.34[5]	34½	3.00	8.7	C3	Final quarter of fiscal year ending Sept. 30, probably materially affected by auto shutdown. Should show dividend amply covered.
Doehler-Jarvis Corp.	39.8	3.5	1.31	85.8	6.4	5.16	32¾	2.50	7.6	C3	No encouragement that final half will be better than first half-year. Net may fall below dividend needs.
Eaton Mfg. W	97.2	5.1	2.80	186.7	5.5	5.75	39½	3.00	7.6	B2	Good first half-year start spoiled by cut in auto output. Will earn dividend, however, by wide margin.
Electric Auto-Lite	132.4	3.7	3.35	292.7	3.7	7.47	49	3.00	6.1	B3	Drop in car output cut into third quarter net. Will probably finish 1952 with earnings better than twice dividend needs.
Electric Storage Battery	50.0	1.8	1.01	114.3	3.2	4.06	41	2.50	6.1	B3	Earnings this year likely to be about half the $4.06 earned in 1951. Should maintain current dividend.
Hayes Mfg.	13.6[6]	3.0	.38[6]	16.0[1]	5.5	.84[1]	6½	.60	9.2	C3	Limited earning power further reduced by lower car output. 1952 net may fall below dividend needs.
Hondaille-Hershey	32.2	3.3	1.09	70.4	3.5	2.61	13	1.25	9.6	C3	Military business may help 1952 earnings which will probably fall below 1951 net. Ample dividend coverage indicated, however.
Kelsey-Hayes "B"	80.7[4]	4.1	5.32[4]	104.2[5]	5.1	8.60[5]	31¾	3.00	9.5	C3	Final quarter of fiscal year hurt by steel strike. Annual dividend well earned in first 9 months.
King-Seeley Corp.	23.9[7]	4.9	2.45[7]	37.5[8]	5.4	4.39[8]	22⅜	2.50	11.2	C3	Not likely to match 1951 fiscal year's net. This creates some doubt as to maintenance of current dividend rate.
Midland Steel Products	34.5	3.5	1.70	68.9	6.8	8.20	42	3.50	8.3	C3	No indication that relative poor first half showing will be bettered in final six months. Might reduce current dividend.
Motor Products	52.7[9]	5.9	3.25[9]	104.2[11]	3.7	8.20[11]	25¾	2.25	8.7	C3	Net in fiscal year ended June 30, probably half of last year's figure, but should be close to twice dividend needs.

(d)—Deficit.
1—Year ended Sept. 30, 1951.
2—Year ended March 1, 1952.
3—Quarter ended May 31, 1952.
4—9 months ended May 31, 1952.
5—Year ended August 31, 1951.
6—9 months ended June 30, 1952.
7—9 months ended April 30, 1952.
8—Year ended July 31, 1951.
9—9 months ended March 31, 1952.
10—Directors 5/9/52 omitted further dividends.
11—Year ended June 30, 1951.
12—Plus stock.

Statistical Data on Leading Automobile Parts and Accessories Companies (Continued)

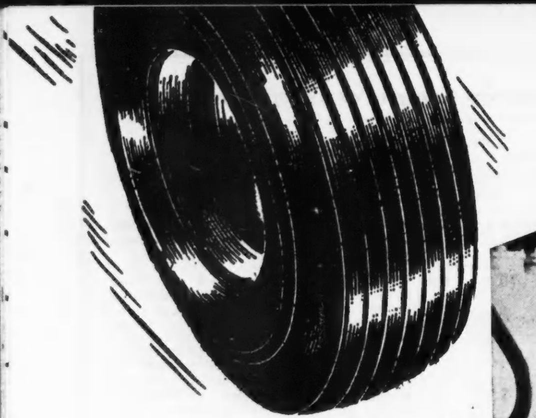
	First Half 1952			1951							
	Net Sales (Millions)	Net Margin %	Net Per Share	Net Sales (Millions)	Net Margin %	Net Per Share	Recent Price	Indicated Current Div.	Div. Yield	Invest-ment Rating	COMMENTS
Motor Wheel	34.3	4.1	1.67	74.4	4.0	3.50	24	2.00	8.3	C3	Will probably fail to match 1951 net. Will cover dividend by good margin though, and 1953 outlook is good.
Murray Corp. of Amer.	61.1[4]	4.4	2.61[4]	140.7[5]	5.3	7.39[5]	20	2.00	10.0	C3	Loss of Ford stamping work and lower sales to others cuts earning power. A change in dividend policy may be in order.
Raybestos-Manhattan	38.2	4.2	2.56	84.8	5.7	7.73	45½	3.00	6.6	C3	Narrower profit margins and restricted car output should hold 1952 net under 1951 figure. Dividend, however, well covered.
Reynolds Spring	6.1	(d)2.0	(d)	12.4[1]	1.8	.79[1]	7¼	.15[10]	2.1[10]	C3	Unimpressive outlook not brightened by current high cost of doing business and curtailed automotive activity.
Smith, A. O.	142.5[7]	2.7	3.89[7]	211.8[8]	3.3	7.00[8]	35	2.00	5.7	B3	1952 fiscal year to July 31, will fall short of matching last year's net, but should be better than twice dividend.
Standard Steel Spring	77.9	3.9	1.45	126.6	5.9	3.53	24¾	2.00	8.1	C3	Smaller profit margins on civilian sales not helped by defense work. Ample dividend coverage assured, however.
Stewart Warner	62.2	2.9	1.41	103.2	3.9	3.20	19¾	1.75	8.1	C3	Limited profits on defense work and lower civilian sales reflected in smaller net income. Dividend is well protected.
Thermoid	19.9	2.5	.55	37.8	4.6	2.02	9⅛	.80	8.8	C3	Keen competition, plus restricted profits probably halved 1952 net. Should hold to present small dividend.
Thompson Products	123.4	3.1	3.07	194.9	3.9	6.20	52	2.00	3.8	B2	Automotive shut-down may affect third quarter earnings. Outlook good and could pay a larger or an extra dividend.
Timken Detroit Axle	169.4[9]	2.8	2.15[9]	138.0	4.0	2.46	20¾	2.00	9.7	C2	With good demand from truck builders and fairly stable profit margins earnings should hold at levels warranting current dividend.
Timken Roller Bearing W	94.4	6.3	2.47	188.6	7.5	5.81	43¼	3.00	6.9	B3	Good civilian and military business should hold 1952 net close to last year's level. Dividend amply covered.
Young Spring & Wire	33.0[7]	1.9	1.56[7]	60.6[8]	5.7	8.53[8]	29	3.00	10.3	C3	Sales drop and pressure on profit margins holding earnings below dividend requirements. Current rate might be modified.

(d)—Deficit.
1—Year ended Sept. 30, 1951.
2—Year ended March 1, 1952.
3—Quarter ended May 31, 1952.
4—9 months ended May 31, 1952.
5—Year ended August 31, 1951.
6—9 months ended June 30, 1952.
7—9 months ended April 30, 1952.
8—Year ended July 31, 1951.
9—9 months ended March 31, 1952.
10—Directors 5/9/52 omitted further dividends.
11—Year ended June 30, 1951.

accessories industry. They present quite a contrast to each other. So does every company in the list. This fact is brought out with great clarity by their earnings reports for various periods during the current year. Reflecting its strong position in the automotive, aircraft and other fields, and supported by substantial bookings of defense contracts, Bendix Aviation, in the 9 months to June 30, last, showed earnings of $4.88 a share. This was accomplished on a sales volume of $382 million, earnings, percentage wise being 3.4% on sales. Briggs & Stratton, known principally as the largest maker of locks and switches for the automotive industry, also produces air-cooled industrial engines. Its earnings in the first six months of this year were equal to $2.69 a share, which figures out to 7.6% to sales. Electric Auto-Lite, with great diversification of products for the automotive industry and for replacement sales, presents an entirely different picture. In the first half of this year, net earnings amounted to $3.35 a share. Net earnings were 3.7% to sales for the period of $132.4 million. These comparisons and contrasts can be carried all the way through the group. This is made evident by the statistical data on the leading automobile parts and accessories companies presented in the accompanying table.

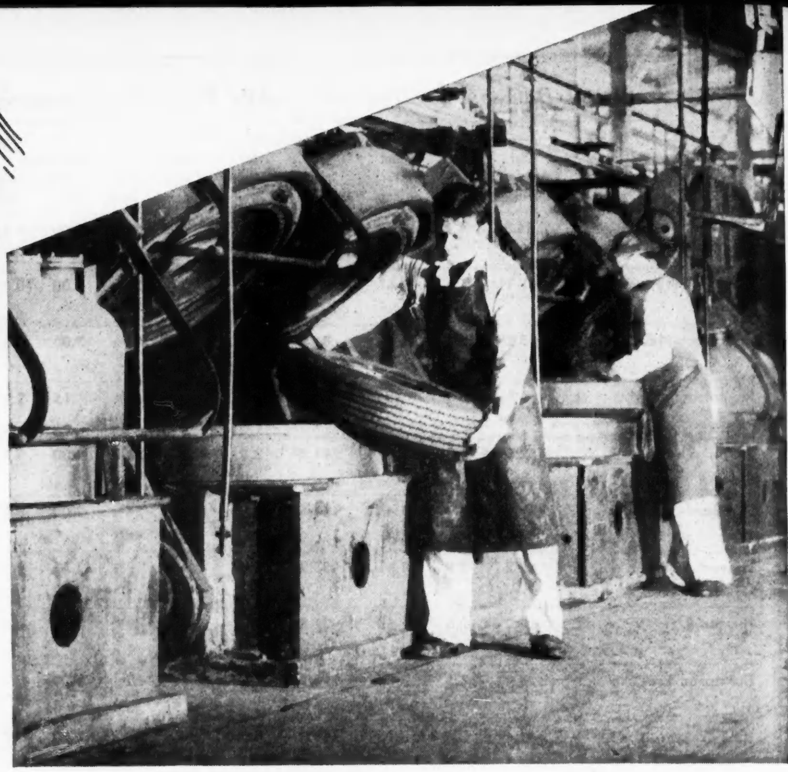
Operating results of these companies for the final half of 1952 will vary according to the effect of the steel strike upon the individual companies. Other factors of importance are the rate of defense work shipments and the profit margins permitted or realized on such work. Undoubtedly, the last half of the year will prove less profitable for the industry when compared with the results of the first six months. The steel strike had the automotive industry practically paralyzed in July and well into the month of August, resulting in production loss of approximately 544,000 cars. Limited profits from production of defense items will probably help to offset the smaller volume of sales to the automotive industry but not to the extent warranting the expectation that final half-year net will match first half's figures. The comparatively high level of net profits for that period, however, assures ample coverage for the dividend payers and unless earnings take a drastic tumble in the current six months it is possible that one or more of the group may increase their dividend rates or declare year end extras.

Such possible action, of course, will depend upon the outlook for business from the automotive industry in 1953. Truck builders are figuring on getting out close to 1.2 million units next year and automobile makers are hoping that they will be able to turn out about 5 million cars. If the automotive industry can attain these goals the parts and equipment suppliers have (*Please turn to page* 660)



★ The ★ RUBBERS

—*Looking to 1953*



By RICHARD COLSTON

Page spreads in newspapers and other publications announcing drastic cuts in tire prices may have caused some concern as to what was happening in the tire industry. For a time it looked as though the tire makers were skirmishing in preparation for an old-fashion price war and some motorists began looking to the day when tire dealers resorted to "one cent sales" to attract buyers.

Such a development is out of the question, for the present at least. Tire makers apparently wanted to run cut-price sales for a limited only to work off overstocks, an accumulation which came into existence partly because of the curtailment of automobile and truck production during the steel strike. Tire manufacturers, evidently, never thought that the strike would be prolonged for any length of time, resulting in loss in sales approaching 3 million passenger car and truck casings.

Another factor that helped to create heavy inventories has been the relatively light replacement sales. Usually, the buying public begins to show signs of life with the first break in winter weather—and become increasingly more interested in new tires with the passing of the Spring months and into the Summer. By Labor Day, as a rule, replacement needs are satisfied and the replacement business gradually diminishes into almost nothingness. This year, however, sales didn't begin to pick up until May, and then only after the public was spurred into action by vigorous advertising campaigns embodying lures in the way of price reductions. This didn't augur too well for a busy season of replacement sales. Notwithstanding the indications, tire makers went right on producing casings with the result that as of June 30, the latest figures available, inventories amounted to 8.6 million passenger car tires and about 3 million truck and bus tires. The situation, undoubtedly, worsened as a result of the automotive industry's shutdown in July and for that matter, the greater part of August.

The effect of this stoppage, of course, on sales and earnings of the tire manufacturers is not shown in their reports for any part of the first half of this year. As it is, reports of the leading tire companies issued during the first six months are disappointing. With the exception of B. F. Goodrich which reported for the half-year to June 30, a decline of $25 million in sales from the figure shown for the first half of last year, the "big four" showed appreciable increases in sales. Goodyear held first position from this standpoint with a gain of $24 million. Firestone followed with a $17 million increase, wth U. S. Rubber makng it a close race for second place with a gain of $16 million. On the basis of comparison of all four Goodrich furnished the element of surprise. It came through the six month's period with net earnings equal to $3.46 a share. This figure was only 33 cents a share under the amount earned in the first half of last year. This was an accomplishment, considering that the company endured a strike of six week's duration in the first quarter at the Akron plants.

Comparison of Leading Companies

By comparison, therefore, Goodrich's operating results stand out from those of its contemporaries in the tire industry. Firestone, Goodyear and U. S. Rubber, despite their gains in sales, all showed materially lower earnings when set alongside results in the corresponding periods of 1951. Goodyear, with the largest increase in sales for the 1952 period, suffered the greatest decline – $1.28 – in per share net. Firestone, second in sales gains, experienced a decline of $1.04 a share in the six months to April 30, this year, and U. S. Rubber, whose sales for the first half of 1952 were increased by the least amount, had an earnings drop of only 67 cents a share. All

this seems to indicate a reversal of the generally accepted belief that as sales volume rises so do profits.

One explanation for the contrasts in results is that Goodrich has made excellent progress in offsetting smaller tire profits by expanding sales in fields outside of rubber, and more particularly through its greater activity in the field of chemicals. Of course, Goodyear, U. S. Rubber and Firestone also have made progress along the same lines but they continue to depend upon their tire and rubber divisions for the greater portion of business. All of them, of course, including Goodrich, will continue to be important producers of tires which likewise will continue to provide substantial sums in revenue.

Earnings Outlook

It is difficult, however, to visualize a tire market less competitive than that existing today wherein the temptation is lessened to resort to increased dealer discounts and which will be free from the fear of price-cutting to attract replacement business, the biggest outlet for tire production. The disappointing replacement market of 1952 is not going to do much for the industry's third quarter which will also reflect the effect of restricted automobile and truck output as a result of the steel strike. If the automotive industry is back in stride, as it probably will be, at the beginning of the final three months of the year, new civilian and military vehicles should absorb a sizable quantity of tires, and the tire makers should be able to close the year on a good note. It is hardly likely, however, that earnings for any of the tire companies will be up to last year's results.

The 1953 outlook doesn't seem to hold promise of being a year of outstanding results from an earnings standpoint. The one prominent favorable feature of the situation is the easier rubber supply. Malaya, a principal source for natural rubber is now concerned about surpluses while output of domestic synthetic material is steadily increasing. The industry appears to be in a position where it can operate on a stable crude rubber market. Offsettng this favorable factor are high Federal taxes, higher operating costs which have only recently been raised still higher by a wage hike of 10 cents an hour. It is difficult to see how the tire companies can pass this rise on to the buyers in the replacement market. Obviously the end-users of tires—the public—are not so anxious to rip off the casings they are now using—unless they are so worn as to constitute a hazard—and replace them with new tires at prices that prevailed up to the time the price-cutting campaign was inaugurated. All in all, there doesn't seem much on which to base enthusiasm for the rubbers at this time. Dividends being paid by the "big four" are conservative in relation to current earnings, however, and net profits next year should amply cover dividend needs.

The Market Outlook

There is nothing relating to the tire stocks that make them particularly attractive from a market standpoint at this time. While the leaders in the industry set forth that current price-cutting is only temporary for the purpose of working off inventory, it is difficult to conceive any betterment in the situation warranting putting tire prices back to the 1952 high level. Frankly, price-cuts now prevailing and the intensive advertising by the "big four" may prove to be merely skirmishes before the big battle is joined. In other words, competitive conditions in the tire market are increasing while profit margins for the tire makers are decreasing, presaging a further lessening of earning power.

Statistical Position of Leading Tire and Rubber Companies

	First Half 1952			1951							
	Net Sales (Millions)	Net Margin	Net Per Share	Net Sales (Millions)	Net Margin	Net Per Share	Recent Price	Indicated Current Div.	Div. Yield	Investment Rating	COMMENTS
Dayton Rubber	$24.6[1]	3.1%	$ 1.31[1]	$ 55.1[2]	4.2%	$4.88[2]	19⅛	$2.00	10.4%	C3	Restricted civilian production and limited profit on defense business indicates smaller net. Current dividend might be reduced.
Firestone Tire & Rub. W	465.1[1]	4.1	4.81[1]	975.6[2]	4.9	12.27[2]	64½	3.00	4.6	B3	Not likely to duplicate 1951 results, but this year's net will provide dividend coverage by wide margin.
Gen. Tire & Rubber	88.9[4]	3.3	2.30[4]	170.7[3]	4.1	5.58[3]	30⅛	2.00	6.6	B3	Diversified activity should hold 1952 net close to 1951 figure more than meeting dividend requirements.
Goodrich, B. F. W	297.2	5.0	3.46	637.7	5.4	8.15	67⅝	2.50	3.7	B3	Growing strength in non-rubber fields adding to earning power. Could increase current conservative dividend.
Goodyr. Tire & Rub. W	568.8	2.7	3.39	1,101.1	3.3	8.18	43¾	3.00	6.9	B3	Lower civilian business and high costs combine to hold down 1952 earnings. Dividend coverage by wide margin assured, however.
Lee Rubber & Tire	20.7[1]	4.5	3.72[1]	50.4	4.3	8.62	60½	5.00	8.2	B3	One of the strongest of the independents being aided by non-rubber lines. Should duplicate 1951 dividend payments.
Seiberling Rubber	19.6	2.2	1.09	43.6	2.8	3.30	10½	1.00	9.5	C3	Will probably fail to match 1951 net. Should report earnings more than enough to pay small current dividend.
U. S. Rubber W	443.4	2.9	1.95	837.9	3.6	4.76	25⅝	2.25	8.7	B3	Has yet to fully reflect improving position in diversified lines. Current dividend will be earned by sizable margin.

1—6 months ended April 30, 1952.
2—Year ended October 31, 1951.
3—Year ended November 30, 1951.
4—6 months ended May 31, 1952.

FOR PROFIT AND INCOME

September

Under the workings of the stock market's rough law of action and reaction, summer advances are often compensated by early-autumn sell-offs. Thus, the Dow industrial average has had declines of some proportions for September as a whole in 29 years, against gains in 25 years; contrasting with August declines in only 13 years and advances in 41 years. At this writing, the sizable retreat from the August 8 high of a little over 280 in the average raises a question whether the summer rise ended at that level. The next seasonally favorable period is near the year-end. Thus, there have been December advances in 40 years, declines in 15. A good many people always hope that the market "will do better after Labor Day"; but the September record points the other way so far as seasonal bias is concerned. It is one of the three months in which declines have exceeded advances, the others being February and April. Conditions and sentiment suggest a continuing selective trading-swing market, rather than either a dynamic bull or bear trend. If that is correct, the market for much of time between now and into December could be a rather drab affair. So far as the record goes, October and November advances have only slightly exceeded declines in total number.

Fast

In the first six sessions of retreat from the early-August high roughly a fifth of the advance from the May 1 low of the industrial average had been cancelled before the first support was met. As a minor correction of an unfinished phase of advance, that might be enough—and, on that premise, the market ought to be doing better before you read these words. But on the premise that the summer swing has been completed, a zig-zag downswing into autumn might easily cancel much, if not all, of the May-August rise. It will look more like the latter than the former if upside performance remains unimpressive into early September; for the advance has not been big enough or long enough to require much correction on purely technical grounds.

Leadership

It is axiomatic in the market that "the higher they go, the further can they fall," even though the timing of the latter is always uncertain. Oils and rails have been outstanding upside favorites, the former for an uncommonly long period of time. Both have been among the weakest groups in the market's sell-off from the August high to date. There will probably be good buying in oils on price recessions; but in no group is the bull position so crowded. If oils have made a major high for X-time, the market will sorely miss their previous upward pressure on the industrial average. As we have pointed out before, Big-Name oils have long been the special darlings of the institutional-fund managers. Sharp reactions in these stocks confirm our view that institutional demand cannot make a one-way street for the market or any stock group in the market.

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1952	1951
Bell Aircraft Corp.	6 mos. June 30	$1.01	$ .87
Imperial Oil Ltd.	6 mos. June 30	.64	.60
Lowenstein (M.) & Sons	June 30 Quar.	1.21	.43
Purity Bakeries Corp.	12 weeks July 12	.77	.69
Shattuck (Frank G.) Co.	6 mos. June 30	.31	.03
General Precision Equip.	June 30 Quar.	.48	.30
Socony-Vacuum Oil	6 mos. June 30	2.64	2.39
Chrysler Corp.	6 mos. June 30	5.02	4.11
Lane-Wells Co.	6 mos. June 30	1.85	1.53
Peoples Gas Lt. & Coke	June 30 Quar.	2.81	2.30

Defense

If profits are taken on common stocks—or if losses are cut short—what should you do at this stage with the funds thus released? Answer: it depends on how much emphasis you put on absolute safety of principal, how much on yield. You get absolute safety, with a low yield, in a savings or time deposit; or in Government savings bonds. High-grade corporate bonds yield around 3% and might be subject to about a 5% range of fluctuation under foreseeable conditions. In good-grade preferred stocks the current yield is a little over 4% and the potential range of market fluctuation is about twice that of corporate bonds. In the case of stable-income common stocks suitable for defensive purposes, yields range roughly from 5% to 6%; and vulnerability to market decline may average something like half that of the industrial average. This is to say that earnings and dividends on defensive common stocks are generally more stable than is market price. "You pays your money and takes your choice." The more yield you bet, the more market instability you must accept. However, foreseeable business conditions imply a cyclical decline in stocks, including stable-income issues, within the next several years; while the foreseeable money-market conditions in that kind of adjustment will make for higher prices of top-grade bonds and preferred stocks than now obtain.

Snuff

For normal stability of operations the snuff business—dominated by American Snuff, Helme and U. S. Tobacco—has no equal. Sales are about the same, year in and year out. Earnings have been squeezed heavily under the New Deal-Fair Deal by higher costs of tobacco and higher taxes. However, the squeeze probably reached its limit in 1951. Half-year results indicate that 1952 earnings will at worst be only slightly under last year's figures of $2.73 a share for American, $1.80 for Helme and $1.53 for U. S. Tobacco. All off-shoots of the ancient tobacco trust, the stocks have long records of unbroken dividends. Around 37, American yields nearly 6.5% from its secure $2.40 regular dividend rate. Before World War II this stock often sold in the vicinity of 70. It sold above 50 in 1945 and 1946. Major bear-market lows were 29 in 1942, 45¾ in 1938 and 21¾ in 1932. Helme is on a secure $1.60 regular dividend, yielding slightly over 7% at 22½. Prior to 1941 the stock often sold for about double its present price. Bear-market lows: 1942, 18; 1938, 32¼; 1932, 20. U. S. Tobacco is on a $1.20 regular dividend, yielding 6.1% at 19¾. The stock sold in the 30's in many past years. Its major lows were: 1942, 15½; 1938, 29½; and 1932, 13¾.

Dairy Products

The dairy products business is fairly stable. In the postwar period earnings of National Dairy, the biggest company in the field, have fluctuated between $5.27 a share and $3.69. They were $4.07 last year. Dividends, $1.65 as late as 1946, are on a $3 regular basis. The stock is around 54¾ in a postwar range of 24¾-56. The current yield is about 5.5%. Borden's postwar net has ranged between 1951's $4.20 a share and 1949's $5.10. Dividends are on an indicated $2.80 basis, yielding about 5.2% with the stock at 53½ in a postwar range of 57¾ (in 1946) – 37¾. Net of Beatrice Foods, smallest of the three big dairy-products concerns, reached a record $5.12 a share in the fiscal year ended February, 1949; and was $3.62 in the latest fiscal year. Dividends are at $2.25, assuming a 25-cent year-end extra, yielding 5.8% at 38¾, which is the bull-market high to date and also a post-1929 high, comparing with low of 16 as late as 1949. In quality, there is not much to choose between Borden and National, with both surpassing Beatrice. All three have merit primarily as defensive stocks for income return.

Soft Drinks

With few exceptions, sales and profits of soft-drink makers have been improving moderately. Volume was stimulated by record mid-summer heat in some of the most populous areas of the country. Under present taxes and costs, there is no chance for a major recovery in earnings until and unless selling prices are substantially raised. They probably will be sooner or later, under leadership of Coca-Cola, which tops the field like a circus tent. First-half of this company was $2.87 a share, against $2.73 in the like 1951 period; and June-quarter profit rose to $1.90 from $1.77 a year earlier. Full-year net probably will modestly better 1951's reduced $6.11 a share. The record figure was $8.76 in 1949. Dividends will probably remain on a $5 basis. Interim earnings of Pepsi-Cola, Nehi and Dr. Pepper have also shown improvement. Coca-Cola is the only quality issue in this group; and, at a low level in its historical range, is a sound defensive buy. It is now around 112, compared with postwar high of 200 in 1946 and a low, not previously seen since 1943, of 100¼ in 1951. The low earlier in 1952 was 102. A strong support base was built over a period of a good many months in the price area just above 100.

Utilities

Electric utilities are, of course, among the most attractive issues for defensive investment purchases. Some have good long-term growth prospects, even though the benefits to shareholders will be partly diluted by equity expansion-financing. Three examples of growth-utilities are Southern Company, Central & South West

(Please turn to page 660)

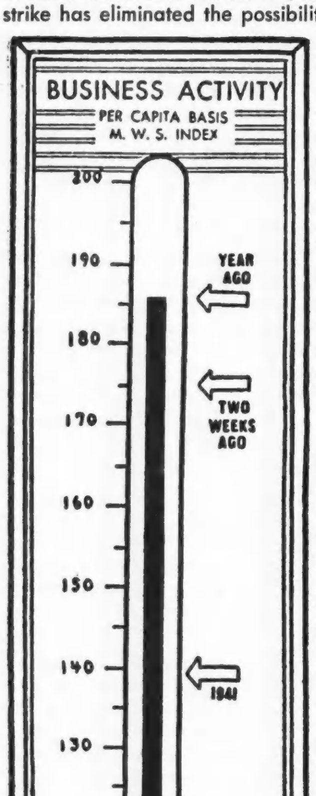
DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1952	1951
Bristol-Myers Co.	June 30 Quar.	$ .42	$ .85
Borden Co.	6 mos. June 30	1.87	2.21
Admiral Corp.	June 30 Quar.	.52	.88
Cone Mills Corp.	6 mos. June 30	1.08	1.78
Consolidated Natural Gas	6 mos. June 30	4.10	4.89
Lily-Tulip Cup Corp.	6 mos. June 30	2.86	4.80
Amerada Petroleum Corp.	June 30 Quar.	.53	1.22
Sterling Drug	June 30 Quar.	.54	.74
Louisville Gas & Elec. (Ky.)	6 mos. June 30	1.68	1.94
RKO Theatres Corp.	26 weeks June 28	.04	.14

What's Ahead for Business?

By E. K. A.

Although new construction outlays during the first half of 1952 hit an all-time record of $15 billion, the protracted steel strike has eliminated the possibility of setting a peak for the entire year. On the basis of the excellent performance registered in May and June, it had been originally anticipated by government economists that total expenditures for new construction would reach $32 billion for all of 1951. This would have been 4% above last year's mark and was envisioned before the end of the strike on the belief that there would be a gradual easing in the supply of such metallics as structural steel.



Moderate expansion occurred in most types of building activity during June. The gain of 6% over a year ago, which was still larger when compared to that of May, was chiefly accounted for by a 23% jump in public construction; private outlays showed little fluctuation. Through the first six months of this year military projects and defense plant construction were continuing to broaden while a declining trend was beginning to take hold in private spending for new factories. This substantiates the earlier estimate by this column that certain important phases of the current industrial expansion program were starting to slide.

Assuming that the recently revised estimates are correct so that defense expenditures for the next year will stay at about $5 billion a month, the future pattern of construction activity depends to a great extent on the availability of steel, copper and aluminum. Following a series of relaxing controls on materials, which began with easing of construction restrictions back in March, the National Production Authority has been forced to tighten the self-certification allowances for the present quarter owing to the recent steel strike.

At present structural steel shapes, which were already in tight supply when the strike began on June 2, are now completely out of stock. NPA officials indicate this means that close quotas will be maintained over commercial, amusement and recreational projects for almost another year. Military, atomic energy and industrial expansion projects will get the top priority while amusement and recreational building will remain at a near standstill. There is no doubt that the copper and aluminum scarcity of a year ago is a thing of the past. In fact, supplies of these two major metals have made such a strong comeback that copper tubing is and will continue to be used as a temporary substitute for steel piping.

Despite the fact that residential building is running about 4% behind last year's rate, the market demand for new dwelling units may remain at rather high levels. True, unrented space is available in some of the higher priced apartment projects while the more costly homes are not being grabbed. But the Commerce Department estimates the average annual demand for new dwellings exclusive of replacements at around 750,000—or roughly 100,000 less than this year's goal of new housing starts. Several factors contribute to the still broad market for new quarters. One is the low vacancy ratio. Another is the continued carry-over from the war of doubled-up families. These are in addition to the increased number of marriages and ordinary replacement needs. At the same time, because of the emergency needs in defense housing areas, 84,000 units have been scheduled in 169 critical areas.

Under the new Defense Production Act, into which Congress has written the present housing control bill, the President has the power to keep or ease credit restrictions as he sees fit. He may relax controls if the yearly rate of construction starts for three consecutive months beginning in July falls below 1.2 million. On the basis of new housing commenced in July and August, Regulation X may be modified by November 1. This action is bound to provide a temporary drop to construction business. Nevertheless, considering the many factors involved in building forecasts, such as population growth, marriages, production, mortgage costs, municipal and charitable needs, and public utility facilities, the overall evidence indicates that we have passed the cyclical top in construction. While a serious drop is not in the offing, a declining trend seems in prospect for late 1953.

The Business Analyst
HIGHLIGHTS

MONEY & CREDIT—President Truman has let us all in on an open secret—that government spending in fiscal 1953 will be less than he predicted seven months ago. At that time he envisaged expenditures of $85.4 billion for the year ending June 30, 1953, a budget deficit of $14.4 billion and a cash deficit of $10.4 billion. Now he estimates expenditures of $79 billion and also forecasts lower government receipts due to a reduction in corporate profits and tax payments leaving a deficit of $10.3 billion. If we add to receipts the net from government trust funds we get an estimated cash deficit of $6.8 billion, which is $3.6 billion less than the January projection. The present figures are not sacrosanct either. For example, the President's prognostications concerning the cash deficit for the fiscal year that has recently ended were over-stated by $12.8 billion.

The news of a smaller than expected deficit means that the Treasury will not have to borrow as much new money as it had anticipated but a substantial amount still is needed. In addition it has to come to market to refund billions of dollars of maturing obligations. If coming exchange offers are no more successful than last month's refunding of $2.4 billion of 1⅞% certificates where the Treasury had to pay off 17% of the issue in cash, then the Government's fiscal agency will indeed be faced with serious problems. The Federal Reserve Board's tight money policy is thus forging a dilemma for its progenitors, namely how to restrict credit and prevent inflation on the one hand while supplying the legitimate needs of business and government on the other. If the Treasury and the private sector of the economy are forced to compete for a severely limited supply of credit, then undoubtedly the bond market would be adversely affected and interest rates would rise. Faced by these considerations the Federal Reserve Board is giving indications that it is looking for a middle road. It quietly bought government securities recently when they were at their weakest thus adding to bank reserves and bringing some stability to the market. In addition, it was allowed to become known that the New York District Reserve Bank's 1¾% rediscount rate was not likely to be raised any time soon. These developments heartened investors who promptly paid more for the Treasury's short-term bill offerings and some improvement was also noted in the longer term market.

It thus appears that the Federal Reserve is not inflexible. It undoubtedly intends to keep a firm control of credit but at the same time has shown an ability to loosen the reins when necessary. However, it still remains to be seen whether an adroit handling of monetary tools is all that is necessary to keep inflationary forces in check while at the same time supplying government and industry with their increasing credit needs.

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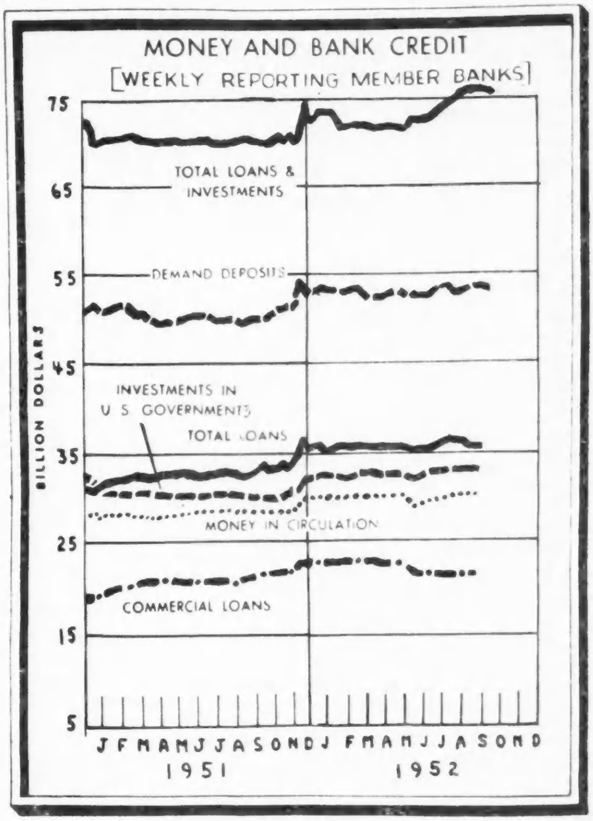
TRADE—The dollar volume of retail sales continues to better year-ago results by a small margin, according to data of Dun & Bradstreet. For the week ending Wednesday, August 20, sales ran about 1% above the corresponding 1951 week and were bolstered by end-of-Summer clearances and the beginning of interest in Fall lines. Sales of home furnishings also were better than the week before and topped the results of a year ago.



Commerce Department data on retail store sales indicates that on a seasonally adjusted basis the high for the year thus far, was reached in May with dollar volume of $13,098 million. July sales dipped to $12,555 million, perhaps reflecting the depleting effect on pocket-books of the steel strike. The sales decline was borne entirely by durable goods stores which saw their gross drop from $4,587 million in May to $4,010 million in July, while sales of non-durable goods stores actually rose by $33 million during the period.

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INDUSTRY—Industrial activity is continuing its sharp recovery to pre-strike levels. The MWS Business Activity Index, computed on a per capita basis, rose to 186.0% of the 1935-1939 average for the week of August 16 from 182.2 the week before. This brings it back to within striking distance of its 1952 high of 186.6 reached in the week ending March 1.

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COMMODITIES—The slow rise in general commodity prices which has been going on since the beginning of July continued

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	July	4.2	3.9	3.0	1.55
Cumulative from mid-1940	July	464.4	460.2	419.8	13.8
FEDERAL GROSS DEBT—$b	Aug. 20	263.0	263.0	256.4	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Aug. 13	51.8	51.9	49.9	26.1
Currency in Circulation	Aug. 20	29.1	29.1	27.9	10.7
BANK DEBITS					
New York City—$b	Aug. 13	9.7	12.5	9.7	4.26
93 Other Centers—$b	Aug. 13	14.3	15.0	14.7	7.60
PERSONAL INCOMES—$b (cd2)	June	266.0	264.5	254.3	102
Salaries and Wages	June	175	175	168	66
Proprietors' Incomes	June	53	52	49	23
Interest and Dividends	June	21	22	20	10
Transfer Payments	June	13	13	13	3
(INCOME FROM AGRICULTURE)	June	21	20	19	10
POPULATION—m (e) (cb)	July	157.0	156.8	154.4	133.8
Non-Institutional, Age 14 & Over	July	109.7	109.6	108.9	101.8
Civilian Labor Force	July	64.2	64.4	64.4	55.6
unemployed	July	1.9	1.8	1.9	3.8
Employed	July	62.2	62.6	62.5	51.8
In Agriculture	July	7.6	8.2	7.9	8.0
Non-Farm	July	54.6	54.4	54.6	43.8
At Work	July	56.1	59.0	56.6	43.2
Weekly Hours	July	42.8	43.2	42.9	42.0
Man-Hours Weekly—b	July	2.40	2.55	2.43	1.82
EMPLOYEES, Non-Farm—m (lb)	June	46.3	46.3	46.6	37.5
Government	June	6.6	6.6	6.4	4.8
Factory	June	12.4	12.6	13.1	11.7
Weekly Hours	June	40.4	40.2	40.7	40.4
Hourly Wage (cents)	June	165.8	165.7	160.0	77.3
Weekly Wage ($)	June	66.98	66.61	65.08	21.33
PRICES—Wholesale (lb2)	Aug. 19	112.2	112.0	113.7	92.5
Retail (cd)	May	210.4	209.7	206.5	116.2
COST OF LIVING (lb3)	June	189.6	189.0	185.2	100.2
Food	June	231.5	230.8	226.9	113.1
Clothing	June	202.0	202.3	204.0	113.8
Rent	June	141.6	141.3	135.7	107.8
RETAIL TRADE—$b**					
Retail Store Sales (cd)	June	13.0	13.1	12.2	4.7
Durable Goods	June	4.5	4.6	4.2	1.1
Non-Durable Goods	June	8.5	8.5	8.1	3.6
Dep't Store Sales (mrb)	June	0.84	0.82	0.79	0.34
Retail Sales Credit, End Mo. (rb2)	June	11.8	11.3	11.0	5.5
MANUFACTURERS'					
New Orders—$b (cd) Total	June	22.5	21.7	24.1	14.6
Durable Goods	June	10.9	10.5	13.3	7.1
Non-Durable Goods	June	11.6	11.1	10.8	7.5
Shipments—$b (cd)—Total**	June	21.8	22.4	21.9	8.3
Durable Goods	June	10.5	11.2	10.6	4.1
Non-Durable Goods	June	11.2	11.2	11.3	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	June	69.3	69.9	69.4	28.6
Manufacturers'	June	42.1	42.4	39.0	16.4
Wholesalers'	June	9.5	9.5	10.2	4.1
Retailers'	June	17.7	18.0	20.3	8.1
Dept. Store Stocks (mrb)	June	2.3	2.3	2.7	1.1
BUSINESS ACTIVITY—1—pc	Aug. 16	186.0	182.2	186.6	141.8
(M. W. S.)—1—np	Aug. 16	221.4	216.8	217.7	146.5

PRESENT POSITION AND OUTLOOK

in the week ending August 19. The Bureau of Labor Statistics index of primary prices advanced 0.2% during the week to close at 112.2% of the 1947-1949 average. This compares with the year's low of 110.7 reached on July 1. The farm products component rose 0.1% during the week.

* * *

EXPORTS from the United States declined sharply in June to $1,162 million from the record $1,466 million exported the previous month, the Bureau of the Census has reported. A cut in shipments under the Mutual Security Program to $113 million in June from $231 million in May contributed to the drop. The largest export decrease was in machinery and vehicles with a decline of $135 million from the month before, chiefly representing a cut in exports of farm machinery, motor trucks and busses. Exports of grain, iron ore and cotton also were lower. **IMPORTS** into this country in June rose to $860 million from $835 million the month before. There were increased imports of tin, nickel, tobacco, cotton, vegetable oils, newsprint paper and coffee. At the same time, declines were noted in imports of sugar, wheat and jute.

* * *

104,000 NEW HOUSING UNITS were started during July, a slight drop from the 106,000 starts of the month before, according to data of the Bureau of Labor Statistics. After seasonal adjustments the rate was actually an improvement over June results and continued the upward trend that began this Spring. Under present law the Government is barred from requiring down payments in excess of 5% on any home, when housing starts for three consecutive months are below a 1.2 million annual rate. Therefore if August starts fall below this figure—and there is every indication that they will—then present lending restrictions on homes will be removed on October 1.

* * *

NEW ORDERS for **MACHINE TOOLS** in July rose to the highest level of the year at 376.4% of the 1945-1947 monthly average, the National Machine Tool Builders Association has announced. Contributing to increased orders was the Government's action permitting the industry to accept orders which did not have defense priority. There was a set-back in manufacturers' shipments of machine tools with the index falling to 254.6% of the base period from 330.8 the month before. Output also eased to 338.4 in July from 342.6 in June. At current production rates it would take 12.8 months to fill the July new orders.

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Demand for **RAYON AND ACETATE**

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—1 np (rb)**	June	203	211	221	174
Mining	June	146	141	165	133
Durable Goods Mfr.	June	248	277	274	220
Non-Durable Goods Mfr.	June	185	181	197	151
CARLOADINGS—t—Total	Aug. 16	806	782	829	833
Misc. Freight	Aug. 16	374	360	385	379
Mdse. L. C. L.	Aug. 16	73	72	75	156
Grain	Aug. 16	50	54	53	43
ELEC. POWER Output (Kw.H.) m	Aug. 16	7,627	7,495	7,164	3.267
SOFT COAL, Prod. (st) m	Aug. 16	9.9	9.6	10.3	10.8
Cumulative from Jan. 1	Aug. 16	269.7	261.3	305.9	44.6
Stocks, End Mo.	June	80.8	79.5	77.0	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Aug. 16	6.3	6.3	6.2	4.1
Gasoline Stocks	Aug. 16	116	118	129	86
Fuel Oil Stocks	Aug. 16	51	51	46	94
Heating Oil Stocks	Aug. 16	86	82	84	55
LUMBER, Prod.—(bd. ft.) m	Aug. 16	619	668	646	632
Stocks, End Mo. (bd. ft.) b	June	8.3	8.2	7.1	12.6
STEEL INGOT PROD. (st) m	July	1.6	1.6	8.7	7.0
Cumulative from Jan. 1	July	46.6	45.0	61.0	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Aug. 21	1,366	238	189	94
Cumulative from Jan. 1	Aug. 21	10,950	9,584	9,550	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Aug. 16	195	233	187	165
Cigarettes, Domestic Sales—b	June	36	32	32	17
Do., Cigars—m	June	496	497	503	543
Do., Manufactured Tobacco (lbs.)m	June	18	18	16	28

PRESENT POSITION AND OUTLOOK

YARNS continued to improve during July and **SHIPMENTS** rose to 110,900,000 pounds from 102,200,000 pounds the month before, according to the Textile Economics Bureau. The industry boosted its operating rate to 76% of capacity in July from 72% in June and a first quarter average of 70%. Production still continued far below shipments however and this resulted in a further drop in manufacturers' **STOCKS** to 81 million pounds on July 31 from 94 million pounds the month before.

* * *

Dealer **INVENTORIES OF NEW PASSENGER CARS** stood at 180,717 units on August 1, the lowest since World War II, Automotive News has reported. This compares with 277,962 cars on hand a month earlier and 387,286 cars in stock on August 1, 1951. August production is estimated at about 200,000 passenger vehicles which is less than half the number of cars per month that were coming off production lines prior to the steel strike, nor is September output expected to be back to normal. Despite the low level of car stocks and output, dealers are worried about the outlook for coming months. It is pointed out that the car shortage did not induce any buying scramble this Summer and used car markets are showing signs of weakness which does not augur well for future demand for new cars.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, instalment sale credit and charge accounts. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

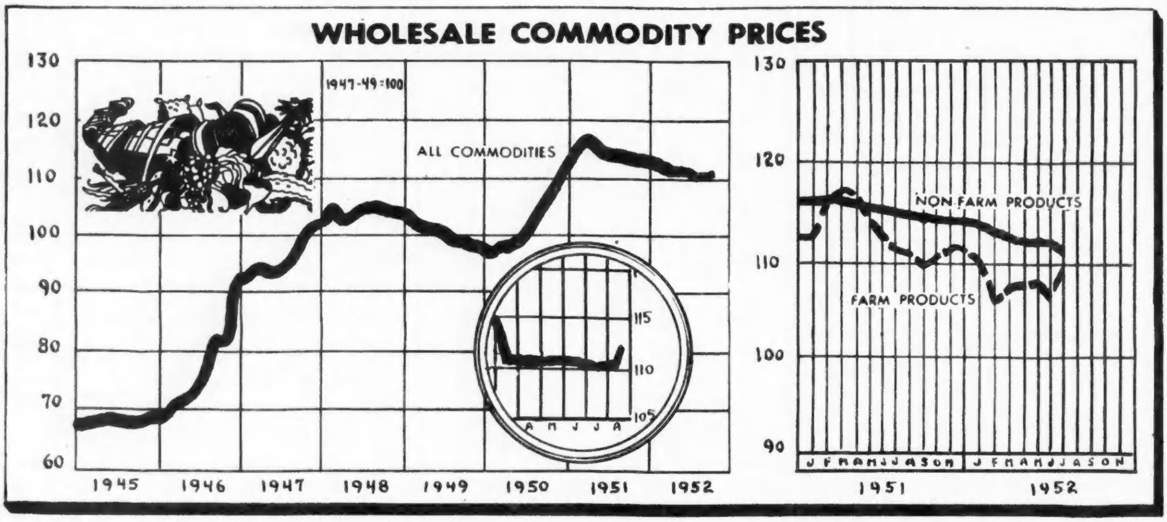
No. of Issues (1925 Cl.—100)	1952 Indexes High	Low	1952 Aug. 15	1952 Aug. 22
330 COMBINED AVERAGE	202.1	190.9	200.0	198.3
4 Agriculaural Implements	295.8	267.6	267.6	267.6
10 Aircraft ('27 Cl.—100)	337.4	278.2	334.5	328.6
7 Air Lines ('34 Cl.—100)	777.8	616.9	648.5	632.7
8 Amusement	102.7	80.0	83.9	83.9
10 Automobile Accessories	248.8	232.0	248.8	246.4
11 Automobiles	43.8	40.2	43.4	43.0
3 Baking ('26 Cl.—100)	22.0	20.8	22.0	21.8
3 Business Machines	398.3	370.4	386.4	386.4
2 Bus Lines ('26 Cl.—100)	177.7	141.6	174.7	177.7
6 Chemicals	418.0	356.4	380.7	372.6
3 Coal Mining	16.0	13.9	14.6	14.2
4 Communications	68.3	61.7	65.0	64.3
9 Construction	72.3	67.5	69.6	68.9
7 Containers	490.6	442.8	461.8	452.3
9 Copper & Brass	169.5	138.8	151.7	150.1
2 Dairy Products	90.5	83.2	88.9	90.5A
5 Department Stores	66.0	60.1	62.7	62.7
6 Drugs & Toilet Articles	233.1	212.7	219.5	215.0
2 Finance Companies	394.3	308.1	391.1	378.5
7 Food Brands	185.6	171.5	183.9	182.1
2 Food Stores	107.6	97.4	105.6	104.5
3 Furnishings	66.7	59.3	66.1	65.5
4 Gold Mining	736.4	648.3	717.5	698.6

(Nov. 14, 1936, Cl.—100)	High	Low	1952 Aug. 15	1952 Aug. 22
100 HIGH PRICED STOCKS	129.1	119.2	127.2	125.8
100 LOW PRICED STOCKS	241.5	226.9	233.2	231.8
5 Investment Trusts	109.8	97.9	107.8	105.8
3 Liquor '27 Cl.—100)	1146.9	910.4	1022.8	1000.3
11 Machinery	216.6	197.9	214.5	214.5
3 Mail Order	130.6	116.4	124.1	121.5
3 Meat Packing	100.2	83.5	84.5	83.5Z
13 Metals, Miscellaneous	307.4	249.4	272.6	266.8
4 Paper	443.7	395.3	427.6	423.6
29 Petroleum	485.1	440.2	454.8	454.8
30 Public Utilities	177.2	162.5	177.2	177.2
9 Radio & TV ('27 Cl.—100)	34.5	31.1	32.3	32.3
8 Railroad Equipment	64.3	59.2	62.4	61.1
24 Railroads	49.4	41.3	48.2	47.4
3 Realty	48.5	38.2	45.8	45.8
3 Shipbuilding	199.2	181.0	191.8	197.3
3 Soft Drinks	330.5	301.2	317.0	320.2
14 Steel & Iron	154.8	135.3	142.8	141.3
3 Sugar	73.1	63.9	66.0	65.3
2 Sulphur	616.3	530.4	606.9	596.0
5 Textiles	197.4	164.1	177.8	175.9
3 Tires & Rubber	76.7	66.9	71.8	71.1
6 Tobacco	85.9	78.6	79.4	80.2
2 Variety Stores	319.6	297.9	301.0	301.0
18 Unclassified ('49 Cl.—100)	119.7	115.1	119.7	118.6

A—New High for 1952. Z—New Low for 1952.

Trend of Commodities

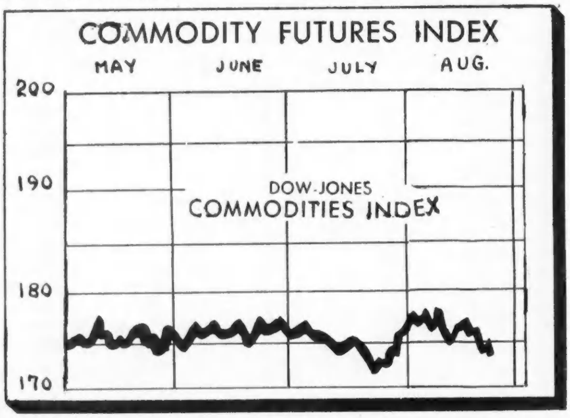
A short-lived uptrend in commodity futures in mid-August was succeeded by weakness which more than wiped out previous gains in the fortnight ending August 25. The Dow-Jones Futures Index lost 1.2 points during the period to close at 173.8% of the 1924-1926 average, not far from the year's low of 173.1 made in July. As for individual commodities, gains and losses were about equally divided but the size of the losses outweighed the gains. Wheat, corn, oats, rye, zinc, hides and rubber all closed lower on August 25 than they had been two weeks earlier. Net gains were registered by soybeans, cotton, wool tops, coffee, soybean oil, cottonseed oil and cocoa. Wheat futures were soft and the March option lost 2½ cents to close at 242¼ on August 25. The Canadian estimate of a record-breaking 656 million bushel crop against 553 million bushels harvested last year acted as a depressant. In addition, the Argentine and Australian crops are expected to better previous results. All this adds up to a smaller export market for American grain and this plus large domestic supplies weighed on the market. However, price declines will induce a larger movement of wheat into the Government loan which should absorb the surplus supply as time goes on. October cotton closed with gains of 30 points in the two week period ending August 25 as continuation of the drought in Texas brought some buyers into the market. The Texas State Agriculture ommissioner estimated the state's cotton crop had been reduced by 250,000 bales since August 1 and this would offset the crop improvement in other localities where the drought has been broken. Cotton harvesting began in Southern Texas in July and is moving northward. A peak is usually reached in early October and this will mean pressure on prices which are well above Government support levels.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—August, 1939, equals 100

	Date Aug. 25	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
28 Basic Commodities	293.3	292.9	297.3	323.5	156.9
11 Imported Commodities	284.6	282.6	291.9	333.8	157.3
17 Domestic Commodities	299.0	299.8	300.8	317.1	156.6

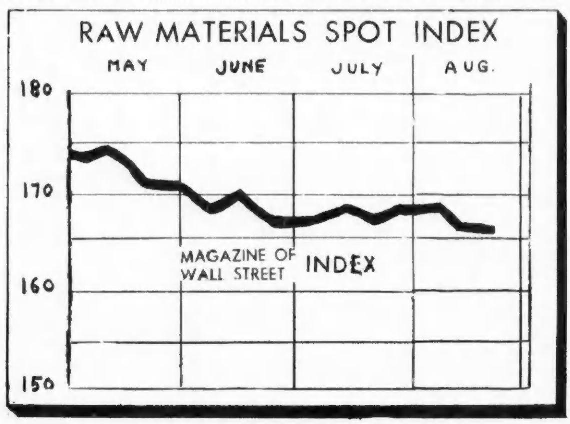
	Date Aug. 25	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
7 Domestic Agriculture	352.1	359.3	346.6	351.9	163.9
12 Foodstuffs	360.6	362.0	355.8	367.7	162.2
16 Raw Materials	268.2	267.0	275.0	304.3	148.2



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1952	1951	1950	1945	1941	1939	1938	1937
High	181.2	214.5	204.7	95.8	74.3	78.3	65.8	93.8
Low	173.1	174.8	134.2	83.6	58.7	61.6	57.5	64.7



Average 1924-26 equals 100

	1952	1951	1950	1945	1941	1939	1938	1937
High	192.5	215.4	202.8	111.7	88.9	67.9	57.7	86.6
Low	166.5	176.4	140.8	98.6	58.2	48.9	47.3	54.6

Keeping Abreast of Industrial and Company News

Not tomorrow, of course, but some time in the distant future our air lines may be promoting week-end excursions to neighboring planets, citing the lures of Jupiter's invigorating mountain air or Neptune's magnificent beaches. Space-minded engineers are already working toward building a rocket ship that may make such trips possible. To help them, **GOODYEAR TIRE & RUBBER CO.'s** subsidiary, the Goodyear Aircraft Corp., has brought out a new and improved version of its L3 GEDA electronic differential analyzer. This is an amazing "thinking machine," capable of solving scientific problems in one hour that would require as much as 500 man-hours. Such problems as premature release of the rocket stage, control of directional gyroscopes, guidance of the rocket in the event of engine failure, influence of the earth's gravitation, and landing difficulties at point of destination, can be answered in advance with the aid of the L3 GEDA. The instrument has other uses. Its ability to answer problems of higher mathematics in a matter of minutes enables engineering specialists to devote more time to research and development work. It will detect inefficiencies in machines, methods and materials and has the ability to find the answer to complex engineering problems in the fields of heavy construction, mining, petroleum recovery, and transportation.

These are days of astronomical figures. With our national debt up to about \$259 billion—we say "about" because it might be higher tomorrow—and the cost of living steadily mounting, **BURROUGHS ADDING MACHINE CO.**, comes to our aid with a new multiple-total machine capable of giving totals up to 99 billion and handling four sets of figures simultaneously. The unit, small enough to be placed on a desk, is the result of five years' engineering research effort and is said to have enough versatility to meet all the normal adding and subtracting requirements of the average bookkeeping and accounting system.

Tomorrow's housewife won't have to worry about back-fence gossipers imparting the information that "the dust on her furniture is so thick you can write your name in it." With the electrostatic air cleaners, according to **WESTINGHOUSE ELECTRIC CORP.** engineers, she will be able to "dust the air." The cleaner, it is said, will continually remove airborne dust, even particles as small as those from burning cigarettes, before it has time to settle on rugs and furniture. And, speaking of impurities, Westinghouse's Chinese woman physicist spends her time studying "better" impurities. Her discoveries have proved that many impurities, when added to phosphor, produce brighter and more efficient fluorescent lighting.

In Saudi Arabia, daytime temperatures frequently get up as high as 130°F., but from now on native as well as foreign employees of an oil company there will be able to work through the heat of the day consoled by the thought of getting back to their comfortably cool quarters. **YORK CORP.**, has already shipped the first 200 of an initial order of more than 700 room air-conditioners which will make these workers' lot a happier one. The company, it is also announced, has designed and built a new 5-h.p. console type air conditioner which eliminates the need for water in the system. This was necessary because of water shortages in the Near East where 41 of these units are to be used at portable camp sites for oil exploration parties.

Bananas, despite their rugged appearance on the stem, are temperamental; they won't stand much "pushing around." **UNITED FRUIT COMPANY,** the biggest in the banana business, has spent time and money in developing the best means of transporting the fruit and getting it to market with its quality unimpaired. One of the most recent results of these efforts is the newest and largest banana unloading terminal in the world which began operations in August of this year when the first of the company's ships docked at Weehawken, N. J., with a cargo of bananas from Central America. The new terminal, running parallel with the shore line, is 1,000 feet long, is equipped with a shed 440 feet long which covers 8 railroad tracks having a total simultaneous loading capacity of 72 freight cars, while a shed of similar length covers a truck platform that can handle 40 trailers at one time. A distinctive feature are the four cable conveyors, one for each hold of the ship, which carry stems of bananas from shipside around curves, up and down grades, and along the loading platforms to railroad cars and trucks. Gantry leg cranes, equipped with vertical-pocket-type endless conveyor belts lift the fruit from the holds and deliver it to the conveyors.

How the development of a new product by one industry will lead to the creation of something new and better in another is sharply illustrated in the story of **FIRESTONE TIRE & RUBBER CO.'s** new Dri-Charged storage battery. Up to now, storage batteries were shipped from the place of manufacture "wet"; that is, with the electrolyte or battery acid added. Firestone's Dri-Charged battery is shipped "dry," but fully charged. It isn't brought to life until just a few minutes before it is placed in the customer's car, truck or tractor, by simply adding the acid. This new battery is made possible by the development of a new glass (diatomaceous-earth-Fibreglas composition) separator and an acid bottle (polyethylene plastic) that is impervious to acid and which will hold the acid at full strength indefinitely.

What Now for the Steel Stocks?

(Continued from page 632)

government agencies. Suspension of production for two months served to remove substantial inventories in the hands of processors and to create another shortage that forestalls consumer resistance to the boost in prices authorized by government officials. Thus political forces combined to counteract deflationary economic trends that had manifested themselves last winter when steel became plentiful and consumers showed an inclination to demand concessions in prices.

Sight should not be lost of the recent philosophy among government officials that strategic materials ought to be stockpiled to prepare for emergencies. Agitation has developed in Washington for stockpiling critical steel that could be drawn upon in event of severe shortages threatening to hamper the defense program. Stockpiles of steel would provide additional inventories which might be used to prolong work stoppages or to be offered to consumers at other times to hold down prices if manufacturers should press for increases.

Briefly, investors must not forget that government has taken broad steps in administering business affairs that pose problems for management. If the steel industry, for example, is to be subject to recurrent shutdowns—man-made recessions—there would be little fear of any lengthy period of costly operations at 50 to 60 per cent of capacity. Instead of permitting inventories to become so excessive that reduced hours and wages become imperative, union officials may dictate a complete halt so that all will share the burdens of overproduction fairly equally.

In such a managed economy steel manufacturers might not be subject to the cyclical dips which have characterized operations in the past. Investors probably would be willing to place a higher appraisal on earning power on the assumption that recessions could be reasonably well controlled. The industry would tend to take on the aspects of public utilities in that production would be regulated to industrial requirements as nearly as possible and profits would be controlled accordingly, for management would be loath to accumulate large profits that would invite union demands for wage increases.

Along this line, it is interesting to observe how profit margins have been receding since the postwar boom of 1946-48 in which earnings rose more rapidly than had been anticipated by government and union experts. The industry experienced good years in 1949 and 1950, although the ratio of profit to sales tended to sag slightly. The average for 1949 was about 7¼ per cent and about 8¼ per cent for 1950, but fell last year to about 5¾ per cent. This year's ratio is likely to be under 4 per cent and may be as low as 3 per cent.

Indications point to a reasonably satisfactory rebound in earnings in the second half this year for efficient producers who are able to expand volume. Those companies which have abundant raw materials and have strengthened their producing facilities during the shutdown should report excellent results for the fourth quarter. Third quarter figures will be handicapped by the July suspension. For the coming few months price advances should adequately offset higher wage rates, and, as all steel economists know, capacity operations are effective cost reducers.

Price increases promise to be fairly substantial on certain types of steel urgently needed in the automotive and household appliance fields. As an example, although the rise of $5.20 a ton permitted by the price stabilizers will lift carbon steel from about $110 to approximately $115.20 a ton, adjustments for such items as sheets and many other high quality products will mean wider boosts. Wire rope and cord will be raised $31 a ton, while the advance in tubular couplings was slated for $33 a ton. Cold rolled strip was boosted as much as $57 a ton. Thus mills in position to channel a greater part of output into finished steel of the type enjoying wider advances would fare more satisfactorily than competitors.

Under the circumstances, fourth quarter earnings—with the benefit of favorable political influences—might turn in exceptionally pleasing profit figures. Short term investors would seem justified in adopting an optimistic attitude toward representative steel stocks which have been viewed with skepticism for many months. Most issues in this group still are considerably below their highs of 1951 and afford returns of 6 per cent or more on dividends that should be amply covered this year.

Slow-Down or Speed-Up Ahead for the Chemicals?

(Continued from page 635)

In any event, considerable tax relief should be obtainable through "accelerated amortization" of defense facilities. This may not be reflected in higher earnings (since some chemical companies will probably include the five-year depreciation charges in their published statements) but it will provide a large cash backlog—estimated at around $2 billion for the industry over the next decade, which will be available for new construction or to improve the financial position.

From a market angle the chemical group has been a rather consistent performer. The average stock is not highly leveraged, though most companies have some senior capital. Their market performance has been better over the long range than that of the average for all industrials, particularly in the last few years when the industry has enjoyed such amazing growth—though their action has been less favorable during the past year.

Currently, the chemicals are making a rather good market showing despite their poor earning reports for the first half, presumably because dividend rates have not been reduced and the industry still has the magic touch of long-term growth and rewards for research. Most of the top chemical stocks are also in the "blue chip" category and hence are in demand mainly for large investment funds, whose buying activities helped to move the industrial averages into new high ground during the summer. Thus the chemicals, while below the best 1951-2 levels, have done remarkably well considering the disappointing earnings statements.

While yields are lower in chemicals than in other sections of the industrial list, the investor in these stocks can look forward with some confidence to continued long-term appreciation, subject of course to the usual interim fluctuations.

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Kimberly Clark Company

"I have been a subscriber to your valued publication for about ten years and have found your articles interesting and informative. I would appreciate receiving late earnings data on Kimberly Clark Corporation and also working capital position."

L. S., Evanston, Ill.

Kimberly Clark Corporation and its wholly-owned subsidiaries had net earnings of $11,305,913 after provision for income and excess profits taxes in the year ended April 30, 1952, compared with $12,052,618 after taxes in the preceding fiscal year.

After preferred stock dividend requirements, the latest year's earnings were equal to $5.29 a share on 2,044,951 shares of common stock outstanding, as against $5.80 a share on 1,9944,951 common shares in the year before. The sale of 50,000 shares in December accounted for the increase in common stock outstanding.

Total receipts and consolidated net sales both were the highest in the company's history. Receipts totalled $156,659,870, compared with $144,948,343 the preceding year. Net sales were $153,761,829, as against $142,605,9442 the year before. Dividends from Spruce Falls Power & Paper Co., Ltd., Canadian affiliate, were $1,935,-262 in the latest year, compared with $2,099,247 the year before, and miscellaneous income totalled $962,779 as against $243,154.

Working capital at April 30 was $37,897,257, an increase of $8,560,626 over the $29,336,631 figure a year before. Current assets were $51,928,540 compared with $41,051,211, and current liabilities were $14,031,283 as against $11,714,580.

Long-term debt was reduced $2 million during the year by payment of $1,200,000 of the corporation's 2% collateral notes and $800,000 (Canadian funds) of 3% bonds of a Canadian subsidiary. Long-term debt at April 30 was $26,800,000.

Authorized preferred stock of the corporation was increased from 55,120 to 300,000 shares and authorized common stock was increased from 3 million to 6 million shares last Fall. Subsequently, Kimberly Clark issued 102,424 shares of 4% convertible preferred stock and retired an equal number of 4½% cumulative preferred shares.

The company spent $9,454,420 during the year for property, plant and equipment, $8 million of it from funds previously segregated for expansion purposes and not shown as current assets at April 30, 1951.

Dividends in 1951 totalled $2.40 per share and 60 cents quarterly has been paid thus far in the current year.

Goebel Brewing Company

"I have received the trial offer of your Magazine through WOR Radio Station. Many thanks. For many years I bought your magaine each month and felt I gained by your advice and now am sure I will gain more through this trial subscription. I have heard that sales of beer have increased recently and therefore, would like to receive recent information on Goebel Brewing Company."

H. F., Forest Hills, N. Y.

Sales of Goebel Brewing Company of Detroit and Muskegon, Michigan and Oakland, California continued to increase during the first six months of 1952 setting new dollar and barrel sales record.

Barrel sales for the first half of 1952 were 703,425 as compared to 662,626 barrels in 1951, an increase of 6.2%; while dollar sales increased 14.1% to $18,872,886 in the first six months of 1952 as compared to $16,540,569 last year.

Profits before taxes were $1,-697,475, an increase of 4.3% over profits of $1,627,204 in the first half of 1951.

Due to the increased income and excess profit taxes, the provision for which increased from $837,741 in the first six months of 1951 to $990,000 in 1952, it was not possible for the company to show a gain in new profits.

Profits after taxes were $707,-475 for the first six months of 1952 which amount was equal to 48 cents a share, as compared to $789,463 or 53 cents in the like period of 1951.

According to the president of the company, July sales set a new all time record of approximately 168,000 barrels as compared to 151,000 barrels for July 1951.

Earnings for the fiscal year ended December 31, 1951 were 78 cents a share against $1.23 in 1950.

Dividends including extras totalled 60 cents per share in 1951 and 25 cents was paid in the first half of the current year.

Truax-Traer Coal Company

"The threat of a strike in the coal industry is disconcerting. Please let me know Truax-Traer Coal Company's recent earnings and dividend payments."

C. T., Akron, Ohio

For the year ended April 30, 1952, Truax-Traer Coal Company

(*Please turn to page* 666)

Where New Financing Bolsters-Dilutes Security Values

(*Continued from page* 623)

of 101.92.

American Tel. & Tel. Co. Without doubt, the enormous financing of this company in recent years has been one of the most remarkable occurrences in financial annals. Since the end of World War II, A.T.&.T. sold $1,510,407,700 of convertible debentures. All but $373,370,200 were converted into common stock. This does not include the $550 million convertible bond financing this year.

In line with higher money rates, the company has sold its debentures at from a 2¾% rate in 1946 to 3⅜% in the 1951 and 3½% in the 1952 financing. Stockholders have received subscription rights to the convertible debentures on the following basis: 16-2/3% of common stock held—1946; 16-2/3%—1947; 16-2/3%—1949; 14% in 1951 and the same for 1952. Rights on these various issues have been worth from $2-7/16 to $1-1/32.

Conversion privileges on the latest issue of debentures will start Sept. 30. This will be on the basis of $100 worth of debentures and $36 in cash for each share of A.T.&T. stock.

The company, through attracting large public participation in the convertible debentures (the latter in a steady process of conversion into common stock), has been able to finance its construction program of approximately $1 billion a year without adding materially to its funded debt. This has increased less than 10% in the past five years. On the other hand, common stock now stands at 34,975,000 outstanding as against 21,487,000 shares in 1948. The dilution in the common shares in this period apparently has been considerable and is accountable for the relatively small gain per share in earnings of from $9.52 in 1948 to approximately $11 a share in 1951, and (estimated) the same for 1952. During this period, net income rose from $222 million to one last 12-month period, ended June, of $340 million. Despite stock dilution, the $9 dividend is being covered by a wider margin than in recent years and seems entirely secure. The new bonds on a when-issued basis are selling at slightly under 117, compared with a low after offering about two points under this price.

Consol. Edison Co. of N. Y. This company issued $50 million in 1st 3⅜% bonds, due 1982. Since the end of World War II, funded debt, including subsidiaries and affiliated companies, rose from $415 million to $544 million up to the end of 1951. This is an extremely small increase in senior obligations considering that the company simultaneously expended over $445 million for capital improvements. Approximately $91 million was spent for expansion in 1951 and $105 million scheduled for 1952. For the period 1952-56, indicated expenditures are $380 million.

Common stock capitalization has increased only moderately in the last five years, mainly through conversion of debentures. In 1948, there were approximately 11.4 million shares outstanding compared with the present number of about 13.1 million. Dilution in common shares, consequently, has been small and has played an unimportant part in per share earnings. Unlike some other utilities, Consolidated Edison has resorted to new financing on a comparatively moderate scale since the war, despite its large capital expenditures, these being mostly financed through retained earnings.

Rate Decision

At first glance, the recent unfavorable rate decision by the N. Y. State authorities has been a disappointment. However, further examination of the stipulations in the Commission's decision shows that the various adjustments in rates will bring an additional 60 cents a share to the common stock. This would bring earnings up from current figures of around $2.25-$2.40 a share to possibly as high as $2.75-$3.00 a share in 1953. Thus additional coverage is provided the dividend of $2 share. The new bonds are selling about 1 point over the original offering price of 102.38.

Firestone Tire & Rubber Co. Several months ago, this company sold $75 million in 3¼% debentures due 1977, of which sinking fund will retire 80% before maturity. Since the end of World War II, the number and amount of debentures of this company have fluctuated, standing at $40 million at the end of 1946. The Oct. 31, 1951 balance sheet showed $28 million 3% debentures outstanding and $21.5 million in 25-year 2⅜% debentures outstanding out of a $25 million issue in 1947. With the new $75 million issue, total bonds outstanding amount to just under $125 million. In the period 1947-1951, expenditures for capital expenditures, up to Oct. 31, 1951, amounted to about $130 million, roughly half of which was provided through current income.

The addition of $75 million in debentures was for general purposes; to improve working capital, and to help finance $35 million in improvements for the current fiscal year. The new bonds will require annual payments in interest of roughly $2.4 million, or in the neighborhood of only 60 cents a share on the common. Even after sinking fund, the amount deducted on a per share basis will be small.

Plant Improvement

On the other hand, the improvement in the working capital position as a result of the new issue strengthens the company from a long-range viewpoint, especially in consideration of the large improvements being made to plant and equipment. While net earnings this fiscal year will probably not equal the $12.27 a share (split basis) earned last year, they will amply cover the current $3 annual dividend. The new bonds are selling about 2 points over the original offering price of 99½.

Aluminum Co. of America. This company's $125 million issue of 3¼% debentures helps finance the very large expansion program ($330 million) for additional aluminum production, part of which is financed through accelerated amortization contracts with the government. New financing brought total outstanding funded debt up to $348 million. It is estimated that production capacity will reach 1 billion pounds by the end of 1952 and 1.25 billion by the end of 1953. The new additional production places the company in an excellent long-range position to provide for the anticipated growth in demand for the light metal. The new financing will require interest payments equivalent to only about 80 cents a share.

(*Please turn to page* 658)

This is National Steel

Helping to find tomorrow's steel in a Labrador wilderness

In a land so desolate that only the airplane has yet breached its vast expanse of craggy hills and gaping valleys, National Steel is a partner in one of the greatest industrial adventures of our time.

For National is one of five American steel companies participating in the development of the recently discovered Ungava ore field of northeastern Quebec and Labrador. Under conditions of utmost difficulty, a 360-mile railroad is being built, and preparations for mining are being made to assure our country, for many future years, a dependable source of high-grade iron ore—the indispensable ingredient of steel.

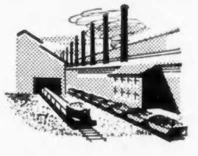
National Steel's part in this bold venture is characteristic of its vision and progressiveness. Under a continuing program of expansion, National has put into operation the largest open hearth furnaces in the world . . . will soon light the fires in two new 500,000-ton per year blast furnaces . . . is constructing the two largest ore boats ever built on the Great Lakes . . . and is making other major additions that will swell its annual capacity to 6,000,000 tons of steel.

This is National Steel . . . completely integrated, always expanding . . . one of America's foremost independent producers of steel.

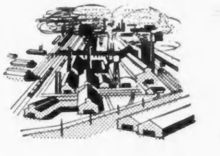
NATIONAL STEEL CORPORATION
GRANT BUILDING PITTSBURGH, PA.

SERVING AMERICA BY SERVING AMERICAN INDUSTRY

SEVEN GREAT DIVISIONS WELDED INTO ONE INTEGRATED STEEL-MAKING STRUCTURE

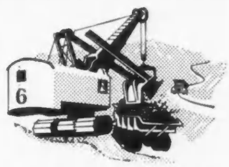


GREAT LAKES STEEL CORP.
Detroit, Mich. A major supplier of standard and special carbon steel products for a wide range of applications in industry.

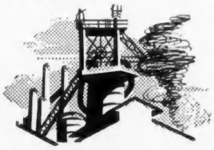


WEIRTON STEEL COMPANY
Weirton, W. Va. World's largest independent manufacturer of tin plate. Producer of many other important steel products.

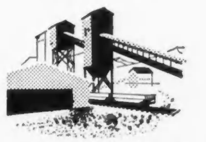
STRAN-STEEL DIVISION
Ecorse, Mich. and Terre Haute, Ind. Exclusive manufacturer of famous Quonset building and Stran-Steel nailable framing.



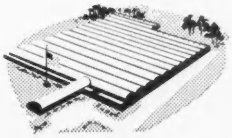
HANNA IRON ORE COMPANY
Cleveland, Ohio. Producer of iron ore from extensive holdings in the Great Lakes area.



THE HANNA FURNACE CORP.
Buffalo, New York. Blast furnace division for production of various types of pig iron.



NATIONAL MINES CORP.
Supplies high grade metallurgical coal for the tremendous needs of National Steel mills.



NATIONAL STEEL PRODUCTS CO.
Houston, Texas. Warehouse and distribution facilities for steel products in the Southwest.

NATIONAL STEEL

Where New Financing Bolsters-Dilutes Security Values

(*Continued from page* 654)

This compares with total earnings of $7.53 a share in 1951 and $4.39 a share for the first half of 1952. The new bonds are presently selling at about 1 point over the offering price of 100, and are considered a sound investment.

Dow Chemical Co. A review of this company was published in our Aug. 9 issue. For those who have not seen this analysis, we repeat the highlights of the recent financing. This consisted of $100 million 3% convertible debentures, convertible on a sliding scale, at $150 per share on or before July, 1962 up to $210 a share after July 1, 1977. The rapid expansion of the company's facilities required this financing. On a statistical basis, the $3 million needed annually for interest payments amounts to only 15 cents a share on the new 20.8 million shares of common now outstanding after the split. On a long-term basis, the new financing should provide facilities that should far more than compensate for this inconsequential earnings difference to shareholders.

American Tobacco Co. In March, this company undertook some very important financing, consisting of $50 million in 3¼% debentures, due 1977, and 1,075,-685 shares of common stock. The latter was offered to shareholders of one share at $52 a share for each five held. The total financing netted the company approximately $103 million, which was used in part to reduce outstanding short-term loans of $157 million. Heavy bank loans were caused by the larger tobacco inventories required for the increased business.

Interest Payments Required

Addition of the new debentures requires annual interest payments of $1,625,000 annually, to be reduced in later years by sinking fund operations. This interest amounts to only about 25 cents a share on the 6,454,000 shares of common stock. On the other hand, the addition of the approximately 1 million shares of new common dilutes the outstanding stock by about 20%, and will tend to bring down stated per share earnings correspondingly. Nevertheless, the financing has greatly strengthen the financial position of the company, which should ultimately redound to the greater advantage of the shareholders.

Industrial Adventures in Atomic Energy

(*Continued from page* 621)

profitable work long before that—in England, for example, where coal costs are becoming prohibitively high; in Italy, where conventional power sources are inadequate; in desert regions where power is urgently needed for movement of water; and in many fuelless parts of the world where exploitation of rich natural resources must await introduction of power.

In any case it is just possible—and private enterprise before now has taken chances on the "just possible"—that rapidly increasing power demands, plus rising costs and growing scarcity of conventional fuels, may put atomic power in the competitive running everywhere much sooner than the experts imagine.

New Extractive Processes

As coal costs go up, processes now being developed are expected to multiply atomic fuel supplies and thus cut the comparative cost of atomic power. The AEC in addition to searching out new raw material sources is constantly improving processes for extraction of uranium from low grade ores. More important, it even now is experimenting at Arco with a production reactor, known as a "breeder," which theory says can manufacture atomic fuel faster than it consumes it.

If the breeder works, it will transform non-fissionable thorium and uranium-238 into fissionable U-233 and U-235. This, officials say, would multiply atomic fuel reserves 100-fold. That would hasten the day when atomic costs fall low enough for atomic power to compete on even or better terms with conventional fuels. All this may be true of the future. But industry wants to get started now toward plutonium-power production. Edwin J. Putzell, Jr., secretary of the Monsanto company, recently gave his firm's reasons. One of them is that Monsanto uses tremendous amounts of power, "almost as a raw material." Last year it spent more than $7 million for power—enough to supply the entire needs of a city like Ann Arbor, Mich., "for six years."

So Monsanto is interested in any promising new source of power, and it believes that private industry, given the chance, can produce both power and plutonium more cheaply than the government can.

Large Companies to Benefit

When that time comes, such enterprises as du Pont, General Electric, Union Carbide & Carbon, and a host of others which have served atomic energy from the beginning, will be ready to do their peacetime part.

Who knows how to build and run gigantic atomic operations, though profiting little while learning? Certainly du Pont, certainly General Electric, certainly Carbide & Carbon, not to mention all the others, including a host of smaller firms whose atomic subcontracts are numbered in the hundreds of thousands.

Profit Outlook for the Automobile Companies

(*Continued from page* 638)

the third quarter, making it necessary to extend expectations for improved earnings into 1953. By then, Federal expects to be really "rolling" on its defense contracts of close to $29.7 million, in addition to about $2.5 million in civilian business.

The rest of the truck builders are also facing 1953 with considerable optimism. Expectations are that civilian business will not only hold up but improve over the 1952 rate. The bi gproblem will be the steel supply on which military business will have first call. Practically all of the truck builders have sizable defense contracts. Reo's backlog is somewhere in the neighborhood of $175 million, while Mack Truck is well up in the list with a backlog of about $85 million. Close behind, by latest figures, is Twin Coach with about $60 million, followed by White whose backlog is around $20 million.

These . . . may become part of you

Bones, tissues, and even complex joints are now being strengthened or replaced with "friendly" metals

Everyone prefers the healthy flesh and blood that nature gave him. But sometimes parts of our bodies weaken or fail—and life itself may be threatened.

DOCTORS NEEDED "FRIENDLY" MATERIALS—Surgeons, seeking materials that could replace or strengthen fractures or weakened parts of the body, found that certain alloy metals are "friendly" to flesh and bone. They neither irritate nor harm the surrounding tissue.

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NEW PARTS FOR OLD—When used to replace broken joints or to strengthen damaged bone, these metal parts usually do an astonishing job of fitting right in with the body's functioning. As a result, many persons who might otherwise be bed-ridden or crippled are now leading normal lives.

In other cases these metals are used as plates to replace parts of the skull, and as "screens" to reinforce tissue that has become weakened or torn.

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For Profit and Income

(*Continued from page* 645)

and Florida Power Corp. All are likely to show 1952 gains not only in net income but also per share of presently outstanding stock. Florida Power is the smallest of these three but might have the largest market potential. Earnings may be close to $1.70 a share this year, against 1951's $1.29. Dividends are on a $1.20 basis. At 22, the yield is close to 5.5%. Southern yields about the same on a secure 80-cent annual dividend, Central & Southwest around 19, yields about 4.6% on its 90 cents dividend, but the latter appears subject to increase, at almost any time, at least to a $1 basis, since per-share 1952 net promises materially to better 1951's $1.34. Southern earned $1.04 a share last year and may show around $1.15 a share this year. These stocks, and other sound utilities, will certainly stand up better than typical industrials under less favorable market conditions than now obtain.

Natural Gas

There is no seasoned listed stock which exclusively represents natural gas production. As we have pointed out before, oil companies are dominant in gas production and reserves. The so-called natural gas stocks are mainly pipeline companies. Since rates on gas transmitted interstate are regulated by the Federal Power Commission, while well-head costs of purchased gas are rising, earnings are subject to some squeeze, mitigated by sharp gains in volume. One of the more reasonably priced issues is Mississippi River Fuel. Its system stretches from Texas and Louisiana to St. Louis. Direct industrial sales account for about 60% of revenue; sales to utilities for redistribution, which are at regulated rates, provide 40% of revenue. A 50% interest is owned in Natural Gas & Oil, a producing affiliate. Earnings reached a record $3.29 a share in 1951, and no great 1952 change appears likely. Dividends should equal last year's $2.20, which included a 20-cent year-end extra. On that basis, with the stock at 35¾, the yield is a little over 6.1%. The stock has ranged between 18⅛ in 1948, when it was first listed, and its 1952 high of 37⅝.

Appliances

Home appliance business continues to improve. The market verdict that video issues have the best longer-term prospect may well be correct, but the other side of it is that, because of that consensus, the stocks are far removed from any bargain-counter level. Many appliance stocks, having no TV angle, have long been "making a line" at relatively depressed levels. They could easily have more medium-term potentiality than TV stocks. One, which has already begun to move in promising fashion, is Servel. Others inviting speculative consideration are Affiliated Gas Equipment. Maytag and Thor. Two better-quality issues are Sunbeam Corp.. and McGraw Electric, both of which companies have impressive growth trends. General Electric and Westinghouse are, of course, the biggest appliance makers; but also the biggest makers of electrical capital-goods equipment, which largely dilutes the appliance "content" of these two stocks.

What Chances for Financial-Economic Stability?

(*Continued from page* 618)

down to this year have driven our public debt upward from $19.4 billion ($156.10 per capita) to $259.1 billion as of June 30 ($1,649.93 per capita), and the value of our dollar downward from $1.534 (1926=100) to 0.529. For the fiscal year 1953, ending next June 30 – five months and 10 days after the next President takes office—the Budget Bureau estimates the public debt will have reached $274.9 billion ($1,740 per capita) and the dollar will have sagged to $0.50.

Mounting taxes over the past 20 years have had their impact on individuals and their families as shown on page 617. In 1932 Federal tax collectors gathered in $2 billion, which amounted to an average of only $64.25 per family of four persons. By 1952 the family burden had jumped to $1,589.00, and it may go to $1,813.00 in 1953.

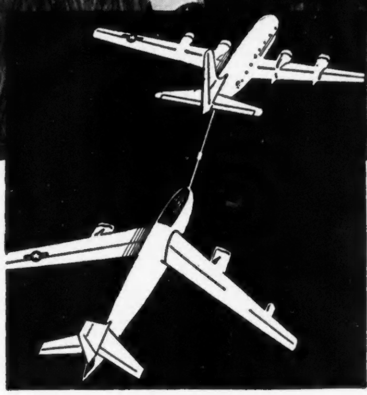
All of these are problems for the next President. If they are too big for him, then it is going to be up to an awakened public, working through its representatives in Congress, to find their solution. The picture is grim, but the writer finds no reason for concealing the facts.

As to finding a solution for our great and critical problems, there is this much to say: the line of least resistance to continued deficit spending is likely to be followed by a victorious Democratic party. In other words, a Democratic victory is likely to mean continued inflation; a Republican victory is likely to mean a more orthodox approach to our financial problems and, with it, some degree of "reflation."

Widely Diversified Prospects For Auto Equipments

(*Continued from page* 641)

bright prospects for 1953. Barring a major upset, such as this year's steel strike, it appears reasonable to estimate earnings for a majority of the auto accessory companies for the first half of next year will be somewhat in line with the figures established in the first half of this year.



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Can General Peron Strengthen His Insecure Position?

(Continued from page 628)

at about $2 billion *during the five year, 1947-1951 period.* This would be about one-half of what Canada, which has about the same population, is investing *annually* in the expansion of her productive capacity.

Nevertheless, as will be seen from the accompanying table, the country's overall industrial production rose over 40 per cent between 1946 and 1951. Argentina is now self-sufficient in a long list of products—rayon, many grades of paper, rubber products, textiles, etc. certain machinery, etc.—but at the expense of the consumer who must pay three or four times as much for the inferior domestic product as he would for the imported one. The Argentines, much to their national pride, recently announced the launching of the production of a light automobile—a sort of volkswagen—in Cordoba. They are even trying their hand at the manufacture of jets and locomotives.

On the other hand, lack of capital and know-how and high costs are holding back the exploitation of mineral resources, petroleum in particular. For all its industrial diversification Argentina continues to be dependent upon imported raw materials and fuel (coke and gasoline). Because of the unpredictability of the Peron regime and increasing operation difficulties, American capital in general has shied from investing in the country in recent years. On the contrary many corporations are withdrawing, Socony and Texaco among the latest.

In recent months the industry has been hit by the lack of raw materials, fuel and equipment. At the same time consumer resistance to high prices has been growing, effecting Argentina's textile and other consumer goods lines. Business in general appears to be trying to hang on and wait.

A New Line For Agriculture and Foreign Trade

Argentine agriculture which has been called on to finance the mis-directed and haphazard industrialization of the country is in a state of prostration. It will be re-

membered how the now ill-famed YAPI (Argentine Trade Promotion Institute), endowed with the monopoly of grain exports, used to sell wheat and corn at prices two to three times those paid to the farmers, using the profits for financing industrial equipment imports. Eventually the farmers whose costs were rising prodigiously and whose farm-help flocked to the city factories, could not or would not raise any crops, except for their own use. The acreage planted under crops has declined by more than one-third since General Peron assumed power in 1946. The culling of the herds as the landowners went out of business and the sharp increase in the urban population – Greater Buenos Aires, for example, has nearly 5 million people now—have reduced the exportable surpluses of meat products.

When the drought hit the country last year, the disaster was nearly complete. There was nothing to export. The British meat contract could be only partially covered, while the wheat crop was some one-third below the country's own needs. Once the greatest surplus food producing country, Argentinos today eat bread from "ersatz" flour not much tastier than the Germans ate during the last war.

There has been nothing else to do for the Peron Government but to sound retreat. The general manager of the YAPI, who had been completely wrong on hides and wool advocating hoarding when the country should have sold, was fired. Upward adjustment was made in the prices paid to the farmers, and a further increase is promised, as well as extra available labor at harvest time. If and when foreign exchange is earned, farm equipment purchases abroad are to have the preference.

Inflation and Payment Difficulties

Meanwhile both the revival of exports and the holding down of the price and wage structure remain in the realm of the "pious wish". The Government has ordered a price and wage freeze, the banks have been told to restrict credit and the prices of such basic foods as bread are now subsidized. But the rise of cost-wage spiral remains distressing. As will be seen from the second table, the

(*Please turn to page* 664)

Can General Peron Strengthen His Insecure Position?

(*Continued from page* 663)

official cost of living quadrupled during the first term of the Peron Administration. The unofficial figures show a six-fold increase since 1945. Half of the increase has taken place since 1949. The flight from the peso, chiefly to Uruguay, continues unabated.

Last year Peron ordered industry to pad a 30 per cent cost of living bonus; unless there is another bonus paid this year, there will be a considerable drop in real wage earnings which have been declining for the past four years.

Argentina's payments position is also discouraging. Gold and foreign exchange reserves have been down despite the fact that all imports were temporarily halted and payments on old bills withheld. Even the Germans are reported to be reluctant to ship to Argentina these days.

To say that the present Argentine situation is tense is an under-statement. The atmosphere is charged with expectancy of some kind of change. Although the Administration is on the retreat, the measures adopted do not go far enough.

The pessimists, who seen Peron surrounded by German and Italian advisors and egged on by the local communists, forecasts that Argentina will continue to move towards the corporate or syndicalist state and eventually invite a bloody, drastic reaction.

The optimists say that much depends upon the crops. If the harvest is good, Argentina will have export surpluses and earn foreign exchange with which to buy more farm equipment, and thus rehabilitate the part of her economy so sadly neglected during the past six years. And since she is a young nation, still basically dependent upon the land, her recuperative power should be strong. "Spend less – produce more" and "back to the land and get it plowed up and sown" are the slogans of today's Argentina.

A second imponderable in the situation is the Army. The Army disliked President's wife intensely, partly because it lost its former influence to her and partly because of the dislike of the role played by La Senora in the na-

tions' politics. There might be a reconcilation between General Peron and the Army which is partial to the farm element.

However, the most important question for Argentina's future is the relationship between the President and the labor unions. There is a danger that the growing economic strains will alienate the city worker. If the pernicious inflation empoverishing the country is to be halted wages will have to be kept from rising. Will labor see eye to eye with the President?

As I See It!

(*Continued from page* 613)

Yugoslavia, where Marshall Tito is considering a mutual defense pact with Greece and Turkey.

Meanwhile the old round of recriminations has revived again. The European NATO members are once again accusing each other of laxity of intentions and evasion of responsibilities. Decisions on defense programs are made without reference to the permanent council of representatives in Paris and, as the London Economist comments, "all countries are trying to make bilateral deals with the American benefactor". They argue that rearmament requires planning and financing ahead for a longer period than one year, and they are irritated by red tape and temporizing in Washington, the latter, of course, being quite understandable, this being a Presidential election year.

It is already quite clear that the NATO rearmament goal for 1952 will not be reached, and that the planning for 1953 will continue to drag until the U. S. presidential succession is settled. All this cannot be but most welcome news to Mr. Stalin and the Politbureau. But the lull in Soviet aggressiveness is not likely to convenience us by waiting until the European NATO members find rearmament more comfortable to bear. Nor is there any guarantee that the developments in Iran and Egypt, ominous enough in what they portend, will not take a turn for the worse. Sovietization of Iran would not only split the remaining free world area on the Eurasian continent into two unequal parts, but would bring Russian tanks within easy striking distance of the world's largest petroleum pools.

Answers to Inquiries

(*Continued from page* 653)

reported consolidated net income of $3,346,838 after all expenses and taxes, equivalent after dividends paid on the convertible preferred stock, to $2.95 a share on 1,103,564 shares of common stock outstanding. This compares with net of $4,025,823 and $3.65 a common share earned in the preceding year.

Net sales for the year, including sales of purchased coal and merchandise, were $60,285,431, against $57,503,835 for the previous year.

The company's 16 mines in Illinois, Indiana, West Virginia and North Dakota, produced 8,616,168 tons of coal during the year compared with 9,017,965 tons in the previous year, a decrease of 4.4%. This decrease, percentage-wise, was approximately the same decrease as that experienced in the same period by national coal production.

Stockpiling of coal by consumers has mounted to an all-time high and, in some instances, storage requirements have been overextended. The result is that available market is limited to current burning requirements, less whatever reductions are being made in consumer inventories. These burning requirements, in turn, are affected by the seasonally low heating load. The seasonal letdown has become more pronounced since consumer stockpiles have been built up. Comparatively, however, the production of all three operating divisions continues in a satisfactory volume.

For the three months to July 31, 1952 consolidated net sales were $9,863,300 and net profit $154,489 equal to 6 cents per common share. This compares with 14 cents per common share in the like period of the preceding year.

Regular quarterly dividends of 40 cents per common share have been paid thus far this year .

Archer Daniels Midland Company

"Please explain the decline in earnings of Archer Daniels Midland Company in the last fiscal year and also working capital position and dividend payments."

E. L., Covington, Ky.

Although earnings of Archer Daniels Midland ompany suffered as a result of Government price controls, diversification of the company's business lessened the severe loss of profits felt generally by the flaxseed and soybean industries.

Net profit for the firm's fiscal year ended June 30, 1952 was $7,413,084 after all charges, including $,368,301 provision for taxes. The profit is equivalent to $4.51 a share on the 1,644,748 shares of common stock outstanding. It compares with $10,764,726 or $6.58 for the previous year and average earnings of $8,211,-162 for the previous ten years.

The sale of processed products was $230,547,021, down less than 4% from the previous year's total of $239,868,594.

During the year, the company's net worth rose from $85,266,750 to $88,618,790, equivalent to $53.88 a share. Working capital was reported as $49,091,483. The company started its new fiscal year with no bank debt, bonds, notes, or preferred stock outstanding.

Continuing its unbroken record of dividend payments since 1927, four 70 cent quarterly dividends were paid in the year.

A contributing factor to the decline in earnings was a sharp drop in the price of most fats and oils due to overproduction throughout the world. Soybean production was particularly unprofitable.

During the year the company entered the alfalfa dehydrating business when it purchased the W. J. Small Company. A new industrial cereals division was formed. Just recently, the company acquired and developed facilities which make it the largest producer of chlorophyll. The development of new products from the company's research laboratories has done much to offset lagging sales in raw materials.

BOOK REVIEW

WINDOWS FOR THE CROWN PRINCE

By ELIZABETH GRAY VINING

In these pages is chronicled a unique experience. Appointed by his Imperial Highness, the Emperor of Japan, to tutor the young Crown Prince Akihito in English, Elizabeth Gray Vining ventured in 1946, with courage and a creative mind, into a strange land, poverty-stricken after a disastrous war, and into a court hedged about with ceremonial restrictions.

Lippincott $4.00

The Market Between Now and Election

(*Continued from page* 615)

have not placed much larger orders. For the time being, while supplies are scarce, resistance to the advance in steel may not be too strenuous, but if motor car manufacturers find they cannot induce customers to buy new cars, there will be a strong effort to force down costs of raw materials. All along the line, one can see the trend toward economic pressure checking retail price advances that threaten to dry up trade. This means that profit margins must suffer.

For the time being investors have been endeavoring to determine which force is likely to prove more powerful—inflationary implications in the spiral of wages and prices or deflation caused by the refusal of customers to buy goods simply because they fear prices may be higher in the future. Thus two contrasting forces are at work in the stock market attempting to pull prices in divergent directions: (1) The need for larger income from capital to counteract rising living costs combined with the fear that the dollar may continue to deteriorate and (2) anxiety over profit margins in major industries where competition is keen and where labor unions are strong. Should one reduce his safety requirements and shift a greater proportion of funds from bonds into stocks? That is a serious problem for trustees and other institutional investors.

What is to happen, on the other hand, if consumer resistance price concessions that threaten forces manufacturers to grant even modest profit margins? Cautious investors hesitate to go all out in a stock program until this question has been answered. The squeeze imposed on industry by consumers and by organized labor is the threat to business stability that cannot be readily measured. Thus these two contrary forces which have restricted market activity and have tended to minimize price fluctuations seem likely to have a restraining influence on financial markets through the election campaign. Tuesday, September 2.

BOOK REVIEW

THE TROUBLED AIR

By IRWIN SHAW

Everyone who has reached maturity in America is deeply involved in the moral predicament so tensely revealed in Irwin Shaw's new novel. We are being held responsible at an anxious moment in history for all the identifications and allegiances of our recent past. What we thought and felt and were has come due for a personal settlement.

In his second novel, the author of *The Young Lions* makes us search ourselves as he probes to the heart of people who, out of earnestness or a mistaken humanitarianism or naivete or even treachery, aligned themselves with either Communism or violent reaction in the United States. Perfidy on the extreme right or left and good-intentioned liberalism in the middle come alive not only as issues, but as the central emotional crisis of our time.

The Troubled Air is far more than a novel that crystallizes and clarifies the perplexities all of us know and have lived with so long; it is a movingly human story of man's undiscourageable search for rectitude.

Random House, Inc.

THE WELFARE STATE

By JULES ABELS

In this brilliant, acerb analysis Jules Abels takes up the origin of the Welfare State idea, its first manifestations and the lessons these taught its present plans, and its future consequences. Writing as an economic scientist, without political bias of any kind, he discusses in simple, telling language the problems of inflation, costs, wages, farm supports, controls, security programs, small business, the *expending economy*, risk capital, deficit financing, taxes—all the myriad aspects of America's economy today. *The Welfare State* is a book to be read and gravely pondered by all who would keep America strong in her mortal struggle.

Duell, Sloan & Pearce, Inc. $3.00

RISK & RETURN OR HOW TO LIVE WITH WALL STREET

BY ROBERT LEE SHARP and WALLACE H. MATLOCK

Here is undoubtedly the most arresting book on the stock market that we have ever read. We have seen hundreds of books on investment, trading, speculation, stocks, bonds and security analysis; but never before have we seen a book like RISK AND RETURN—it is in every respect unique. This book has a timeless quality which destines it to stand as a monumental guide to success in speculation and investment as long as the New York Stock Exchange remains the heart of our financial community and capitalism the basis of our economic life.

Borden $5.00

COMPENSATION AND INCENTIVES FOR INDUSTRIAL EXECUTIVES

By ROBERT F. FETTER and DONALD C. JOHNSON

This is a must book for every business executive. The Business Research Fund of the Indiana University Foundation with the support and encouragement of leading national corporations and the particular initiating drive of Mr. H. F. Wilkie, the Joseph E. Seagram Company, and Indiana University School of Business has undertaken to study the problem of executive incentive. At long last this invaluable study has been completed.

With the increased need for governmental revenues as a result of national mobilization for defense, the problem has been heightened. It is incapable of a simple solution because of the far-reaching implications in our economic and social order. However, this long-awaited study with its hard-hitting facts, tables, interviews with corporation officers and salary analyses, will go far in guiding business leaders to the eventual benefit of both the capitalist interests and the people of the nation.

Indiana Univ. Press $5.00

SHANGHAI CONSPIRACY

By Major General CHARLES A. WILLOUGHBY

How is the Red Army fighting the secret war on a world-wide scale? General Willoughby has the answer and General MacArthur considers it of the gravest importance to America.

As MacArthur's Chief of Intelligence Willoughby had the unique opportunity to study the techniques and methods employed by the Soviet master-spy Richard Sorge. He describes the types of people who volunteer to take orders from Moscow, the way in which they operate under false names and passports, the kind of information they seek, as well as their mode of approach to men occupying important government positions.

E. P. Dutton & Co. $3.75

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A busy professional man in Kansas dissatisfied with his investment progress now feels confident that he has solved the dilemma which you are facing as an investor — he writes:

> *"Though I work hard every day. I have spent hundreds of hours studying the technical action of individual stocks and graphs. It has become increasingly difficult for me to carry on the excessive research this has demanded. As a result, I get behind and before I know it some of my stocks have gone bad. Then follows the usual dilemma confronting every investor —which means more searching.*
>
> *After a time I have usually dumped the lot and started over again. This, severely lowered my net gain.*
>
> *With your research to draw on, your skill and experience can keep my account invested in the right proportions in aggressive stocks. You can take over this job for me with a better overall result."*

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Merely send us a list of your securities. Give the size of each commitment and your objectives. All information will be held in strictest confidence. This offer is open only to responsible investors who are interested in learning more about our investment counsel.

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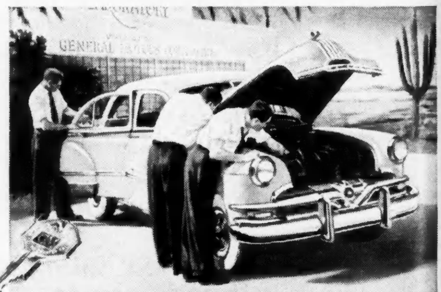

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